

# PRIMEWEST

GROWTH, RENEWAL, RESILIENCY

*PrimeWest Energy Trust 2001 Report to our Unitholders*





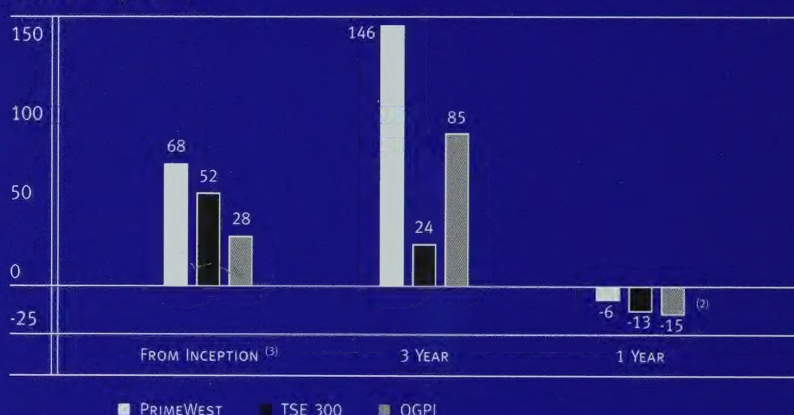
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## CORPORATE PROFILE

- NORTH AMERICA'S 4<sup>TH</sup> LARGEST CONVENTIONAL OIL AND GAS ROYALTY TRUST
- 30,000 BOE PER DAY OIL EQUIVALENT PRODUCTION
- LOWEST OPERATING COSTS AMONG LARGE CAP PEER GROUP

## OUTPERFORMING INVESTMENT ALTERNATIVES

Total return (percent) <sup>(1)</sup>



(1) Unit price (\$6.36) + distributions re-invested as at December 31, 2001

(2) 2001 OGPI excludes takeover premiums

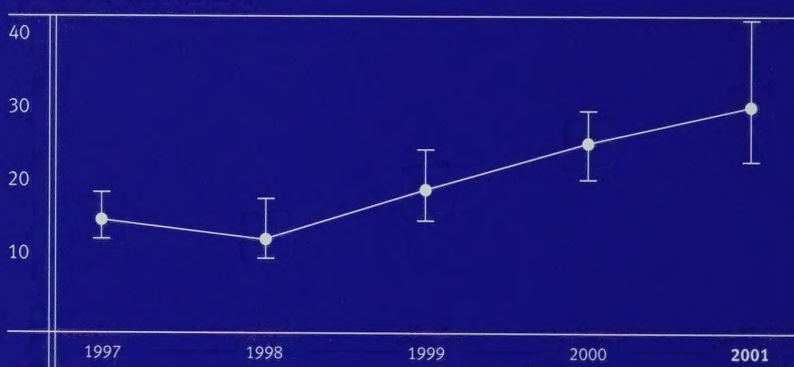
(3) September 1996

(4) Total return since inception as at March 31, 2002, is 98%

(5) Source: Bloomberg

## OFFERING OUTSTANDING YIELD

Cash-on-cash yield (percent)



(1) For each year the range is low to high with • indicating the average for the year.

(2) 12 month trailing yield (prior 12 month distributions divided by unit price)

(3) Year-to-date 2002 yields have approximated 16 to 18% based on the present monthly distribution of \$0.10 per unit.

- PRIMEWEST ENERGY TRUST TRADES ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL PWI.UN
- PRIMEWEST ENERGY INC. EXCHANGEABLE SHARES TRADE ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL PWX



# AT A GLANCE

## STRATEGY

## one

## ASSET GROWTH

## two

## OPERATING EXCELLENCE

## three

## FINANCIAL PRUDENCE

## four

## RISK MANAGEMENT

### 2001 OBJECTIVES

- Significantly increase the size of the Trust and unitholder liquidity.
- Acquisitions to improve percentage of proved producing reserves and increase investor margin.
- Review asset base to high-grade assets and identify potential disposition candidates.

- Maintain a diversified approach to property development. Invest \$37 million in diversified projects.
- Capitalize on production optimization and development opportunities within asset base.
- Reduce per BOE operating costs.

- Maintain appropriate and prudent debt levels.
- Maintain a responsible distribution payout ratio.

- Use hedging instruments as appropriate to sustain distribution rates.
- Maintain \$0.22 per Trust Unit total distribution payment for as long as feasible.
- Offer guidance to investors about changes to the level of distribution rate.

### 2001 PERFORMANCE

- ✓ Doubled production in 2001 with the acquisition of Cypress Energy Inc. Unitholder liquidity now best in sector.
- ✓ The percentage of proved producing reserves up 2% to 72% at year-end. Investor margin was \$22.79 in 2001, compared to \$21.27 in 2000.
- ✓ PrimeWest undertook an asset rationalization program during the second half of 2001, netting proceeds from high cost, non-core assets of approximately \$78 million.

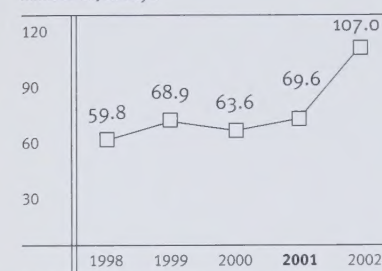
- ✓ PrimeWest spent over \$80 million in 2001 on property development activities.
- ✓ The drilling success rate was 91%. Proved producing reserves were added at an average cost of \$7.89 per BOE.
- ✗ Operating costs were \$5.42 per BOE compared to \$5.08 per BOE in 2000, but best among our Peers.

- ✓ The debt-to-annual cash flow ratio of 1.05 at the end of 2001 was the lowest among our Peers.
- ✓ Distributions exceeded cash flow in 2001; a payout ratio of 112%. Having paid out only 71% of 2000 cash flow, we were able to support the 2001 distribution level.

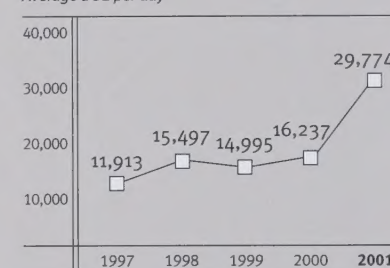
- ✓ PrimeWest enhanced cash flow by \$39 million or \$0.38 per Trust Unit in 2001 through hedging activities.
- ✓ Maintained through August, despite production disappointments and falling oil and gas prices.
- ✗ The volatile commodity price environment in 2001 made it difficult to provide reliable guidance.

### PERFORMANCE TRENDS

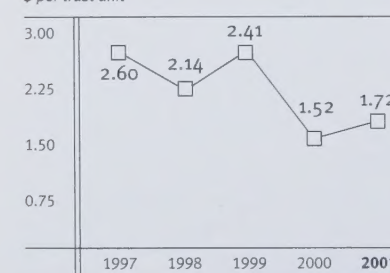
#### ESTABLISHED RESERVES GROWTH MMBOE at January 1



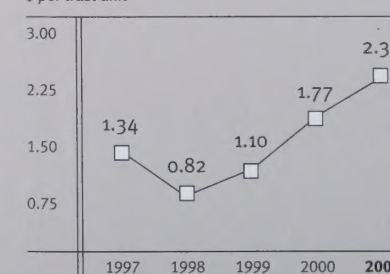
#### PRODUCTION GROWTH Average BOE per day



#### NET DEBT PER TRUST UNIT \$ per trust unit



#### DISTRIBUTIONS \$ per trust unit



### 2002 OBJECTIVES

- Use the low cycles in the commodity price environment and strong balance sheet to add high quality reserves to our asset base.
- Maintain or increase our reserve life index.

- Moderate natural production decline through prudent capital development.
- Add incremental production through drilling, completions and workovers.
- Reduce per BOE operating expenses from 2001 levels.

- Maintain a strong financial position as measured by net debt per Trust Unit and debt-to-cash flow ratio.

- Use hedging to stabilize and protect distribution levels.
- Manage distribution rates as commodity prices cycle.

### 2001 TIMELINE OF KEY EVENTS

#### FEBRUARY

- Announced intent to acquire Cypress Energy Inc. for a combination of Trust Units, exchangeable shares and cash.

#### MARCH

- Closed Cypress acquisition with over 97% of shareholders tendering. Value of the transaction was over \$800 million.

#### APRIL

- Increased monthly distribution rate to \$0.22 per Trust Unit.

#### JUNE

- Closed a \$94.9 million bought deal equity financing.

#### SEPTEMBER

- Reduced monthly distribution rate to \$0.17 per Trust Unit due to delayed development and production shortfalls as well as commodity price declines.

#### NOVEMBER

- Closed a \$70.3 million bought deal equity financing.

#### DECEMBER

- Held Special Unitholder Meeting to approve a reorganization of the corporate structure.
- Reduced monthly distribution rate to \$0.10 due to continued weakness in the commodity price outlook.
- Sold non-core assets bringing total proceeds for the year to \$78 million.



# GROWTH

*We've increased production, reserves and unitholder liquidity.*

# RENEWAL

*We've replenished our suite of opportunities and upgraded asset quality.*

# RESILIENCY

*We've significantly mitigated the impact of the most recent commodity price cyclical downturn.*



## PrimeWest Energy Trust

## HIGHLIGHTS

### Operating and Financial

#### OPERATING HIGHLIGHTS

|                                                  | 2001     | 2000     | Change |
|--------------------------------------------------|----------|----------|--------|
| Daily sales volumes                              |          |          |        |
| Crude oil (barrels)                              | 10,033   | 6,582    | 52%    |
| Natural gas liquids (barrels)                    | 2,273    | 1,483    | 53%    |
| Natural gas (millions of cubic feet)             | 104.80   | 49.03    | 114%   |
| Total (barrels of oil equivalent) <sup>(1)</sup> | 29,774   | 16,237   | 83%    |
| Average selling prices                           |          |          |        |
| Crude oil (dollars per barrel)                   | \$ 32.21 | \$ 36.67 | (12%)  |
| Natural gas liquids (dollars per barrel)         | \$ 30.96 | \$ 34.42 | (10%)  |
| Natural gas (dollars per Mcf)                    | \$ 6.16  | \$ 4.65  | 32%    |
| Total (dollars per barrel of oil equivalent)     | \$ 34.80 | \$ 32.19 | 8%     |
| Established reserves                             |          |          |        |
| Crude oil (millions of barrels)                  | 28.5     | 24.4     | 17%    |
| Natural gas liquids (millions of barrels)        | 9.5      | 6.4      | 48%    |
| Natural gas (billions of cubic feet)             | 413.7    | 232.7    | 78%    |
| Total (millions of barrels of oil equivalent)    | 107.0    | 69.6     | 54%    |
| Net asset value                                  |          |          |        |
| (millions of dollars, except per-trust-unit)     |          |          |        |
| Established reserves (discounted at 10 percent)  | \$ 872.6 | \$ 623.0 |        |
| Hedging mark-to-market                           | 39.7     | (1.0)    |        |
| Unproved lands                                   | 55.7     | 17.2     |        |
| Other assets and working capital                 | (29.7)   | 0.1      |        |
| Long-term debt                                   | (195.0)  | (78.9)   |        |
| Total net asset value                            | \$ 743.3 | \$ 560.4 | 34%    |
| Per Trust Unit                                   | \$ 5.67  | \$ 10.73 | (47%)  |
| Distributions (per-trust-unit)                   |          |          |        |
| Since inception                                  | \$ 7.78  | \$ 5.47  | 42%    |
| Since inception with re-investment               | \$ 10.00 | \$ 8.89  | 12%    |

(1) Natural gas converted to barrels of oil on a 6:1 basis.

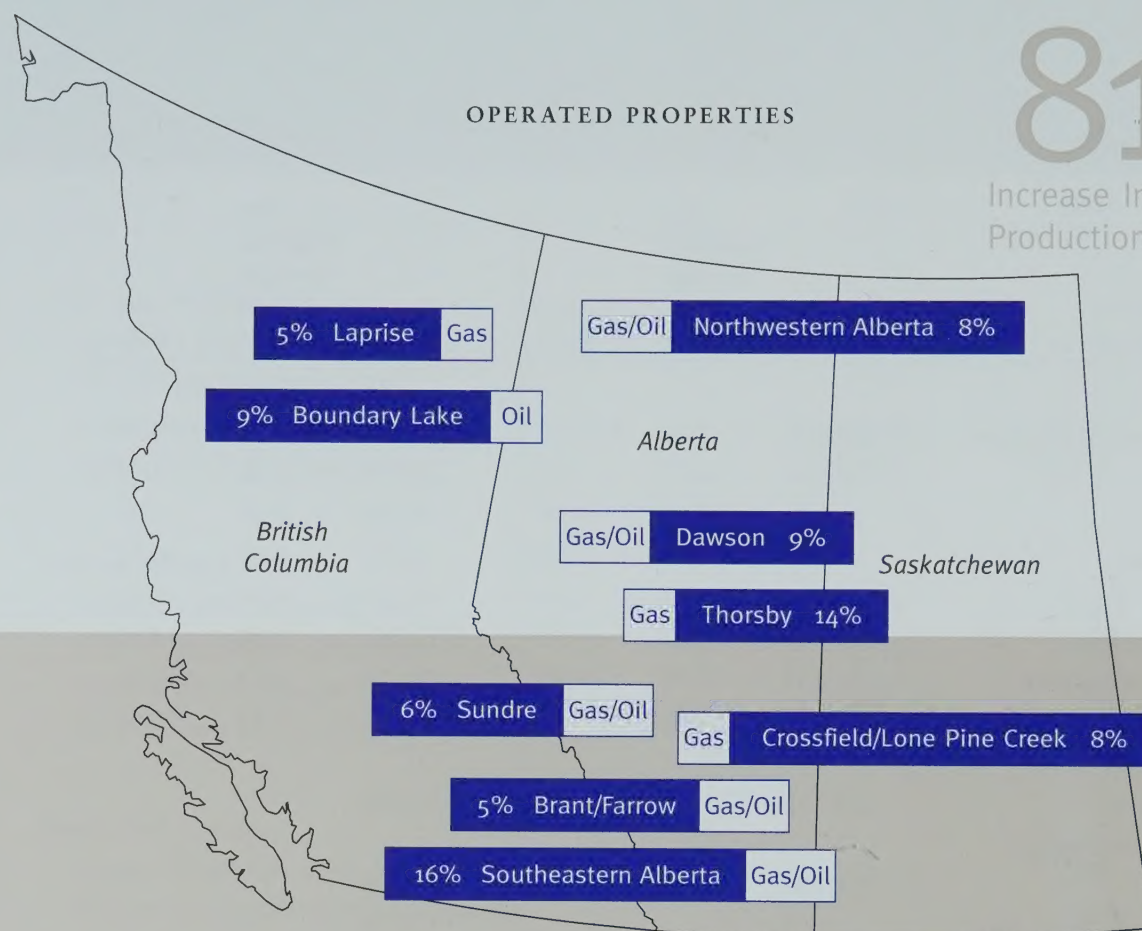
FINANCIAL HIGHLIGHTS

| (thousands of dollars except per-<br>BOE and per-trust-unit amounts) | 2001       | Per<br>weighted<br>average | Per<br>BOE | 2000       | Per<br>weighted<br>average | Per<br>BOE |
|----------------------------------------------------------------------|------------|----------------------------|------------|------------|----------------------------|------------|
|                                                                      |            | Trust<br>Unit              |            |            | Trust<br>Unit              |            |
| Operating revenues, net of royalties                                 | \$ 306,515 | \$ 2.99                    | \$ 28.20   | \$ 156,561 | \$ 3.51                    | \$ 26.42   |
| Operating expenses                                                   | 58,951     | 0.57                       | 5.42       | 30,175     | 0.68                       | 5.09       |
| Cash G&A expenses                                                    | 10,394     | 0.10                       | 0.96       | 4,140      | 0.09                       | 0.70       |
| Cash management fees                                                 | 6,431      | 0.06                       | 0.59       | 3,277      | 0.07                       | 0.55       |
| Financing costs                                                      | 13,800     | 0.13                       | 1.27       | 6,359      | 0.14                       | 1.07       |
| Cash flow from operations                                            | 214,511    | 2.09                       | 19.74      | 112,062    | 2.51                       | 18.91      |
| Cash distributed to unitholders                                      | 234,465    | 2.31                       | 21.57      | 79,033     | 1.77                       | 13.33      |
| Operating margin                                                     | 247,564    | 2.41                       | 22.78      | 126,386    | 2.83                       | 21.33      |
| Capital expenditures net of<br>property dispositions                 | 828,358    |                            |            | 143,592    |                            |            |
| Net debt (long-term debt net of<br>working capital)                  | 225,466    |                            |            | 79,208     |                            |            |
| Net debt-to-annual-cash-flow ratio                                   | 1.05       |                            |            | 0.71       |                            |            |
| Weighted average Trust Units and<br>exchangeables outstanding        | 102,533    |                            |            | 44,652     |                            |            |
| Trust Units and exchangeables<br>outstanding at year-end (diluted)   | 132,387    |                            |            | 53,196     |                            |            |



Our foundation is a suite of

# HIGH QUALITY ASSETS



81%  
Increase In  
Production

Year-over-year, crude oil and natural gas production increased over 80% through a combination of the acquisition of Cypress Energy Inc. and incremental production achieved through capital development activities.

## LAPRISE

A low decline natural gas property. By adding compression, PrimeWest has maintained production virtually flat since acquiring the property from BP Amoco in 1996. PrimeWest operates and has a 76% working interest in the property.

## THORSBY

Thorsby produces natural gas and natural gas liquids by-products. PrimeWest is the operator. Despite a successful 5 well drilling program in 2001 which resulted in over 0.85 million BOE of incremental reserves at a cost of about \$7.00 per BOE, production in 2001 came in below expectations. This shortfall was due to under performance from the 2000/2001 drilling program and timing delays. Development in 2002 will focus on production optimization and reduction of operating costs. A total of 2 drilling locations have been budgeted for 2002.

## SUNDRE

The Sundre area includes Caroline, Garrington, Ricinus and Westward Ho. In late 2001, the Garrington and Westward Ho areas were sold for proceeds totaling approximately \$54 million. The Caroline and Ricinus areas produce natural gas, light oil and natural gas liquids. PrimeWest operates the property with an average working interest of over 80%. In 2001, 1 well was drilled resulting in initial production of about 1,000 mcf per day. Development plans for 2002 consist of continued field optimization and cost reduction activities.



*Established reserves increased 54% year-over-year to over 100 million barrels of oil equivalent. Within these established reserves, the proved producing category increased from 70% to 72% resulting in more reserves producing immediate cash flow than in any prior year.*

54% Increase In Established Reserves

6% Royalty Assets

*Royalty assets provide cash flow without any deduction for royalties or operating costs. As a result, these cash flows are significantly less volatile than operating cash flows. Furthermore, exploration and development activities (over 200 wells drilled in 2001) by the underlying lessees on 245,000 acres of royalty lands in Western Canada provide production and reserve additions, at no cost or risk to PrimeWest.*

Increase In Undeveloped Land Acreage

58%

*With the Cypress acquisition, PrimeWest acquired 540,000 net acres of undeveloped land bringing PrimeWest's net underlying land holdings to approximately 950,000 net acres. Exploitation of this land is expected to add incremental production and reserves for years to come. In addition, PrimeWest is actively farming out opportunities to monetize the value of some of these lands.*

BOUNDARY LAKE

Boundary Lake is a low decline, stable oil property. In 2001, an 11 well program was 100% successful, adding over 600 barrels of production per day. Proved producing reserves were added at a cost of \$5.69 per BOE. For 2002, 6 drilling locations have been identified and further waterflood optimization work is anticipated.

STOWE CREEK

Stowe Creek produces both natural gas and oil. PrimeWest's working interest in the property is approximately 96%. In 2001, a total of 19 wells were drilled resulting in 11 producing wells, approximately 1.2 million BOE of incremental proved reserves were added at a cost of \$3.86 per BOE. Development work in 2002 will consist of optimization of the gas gathering system and field compression. A total of 15 new drilling locations have been identified.

BRANT/FARROW

Brant/Farrow produces sweet gas. PrimeWest operates the property with an average 60% working interest. In 2001, PrimeWest drilled 12 wells, 9 of which were successful adding 2,600 mcf per day of incremental production at a cost of \$11.50 per BOE. Over 18 potential drilling locations have been identified, 8 of which are planned to be drilled in 2002.

CROSSFIELD/LONE PINE CREEK

This area produces natural gas and natural gas liquids by-products. PrimeWest operates the Lone Pine Creek gas units, the Crossfield gas unit and the East Crossfield Gas Conditioning Plant and has working interests varying from 29% to 87% in these units and facilities. In 2001, optimization of operations at the East Crossfield plant resulted in fuel gas savings of over \$1 million. In addition, operating costs were reduced through an increase in third party throughput by over 10%. Development in 2002 is expected to consist of continued plant optimization and cost reduction, as well as development of shallow gas reserves in the area with 2 recompletions budgeted.

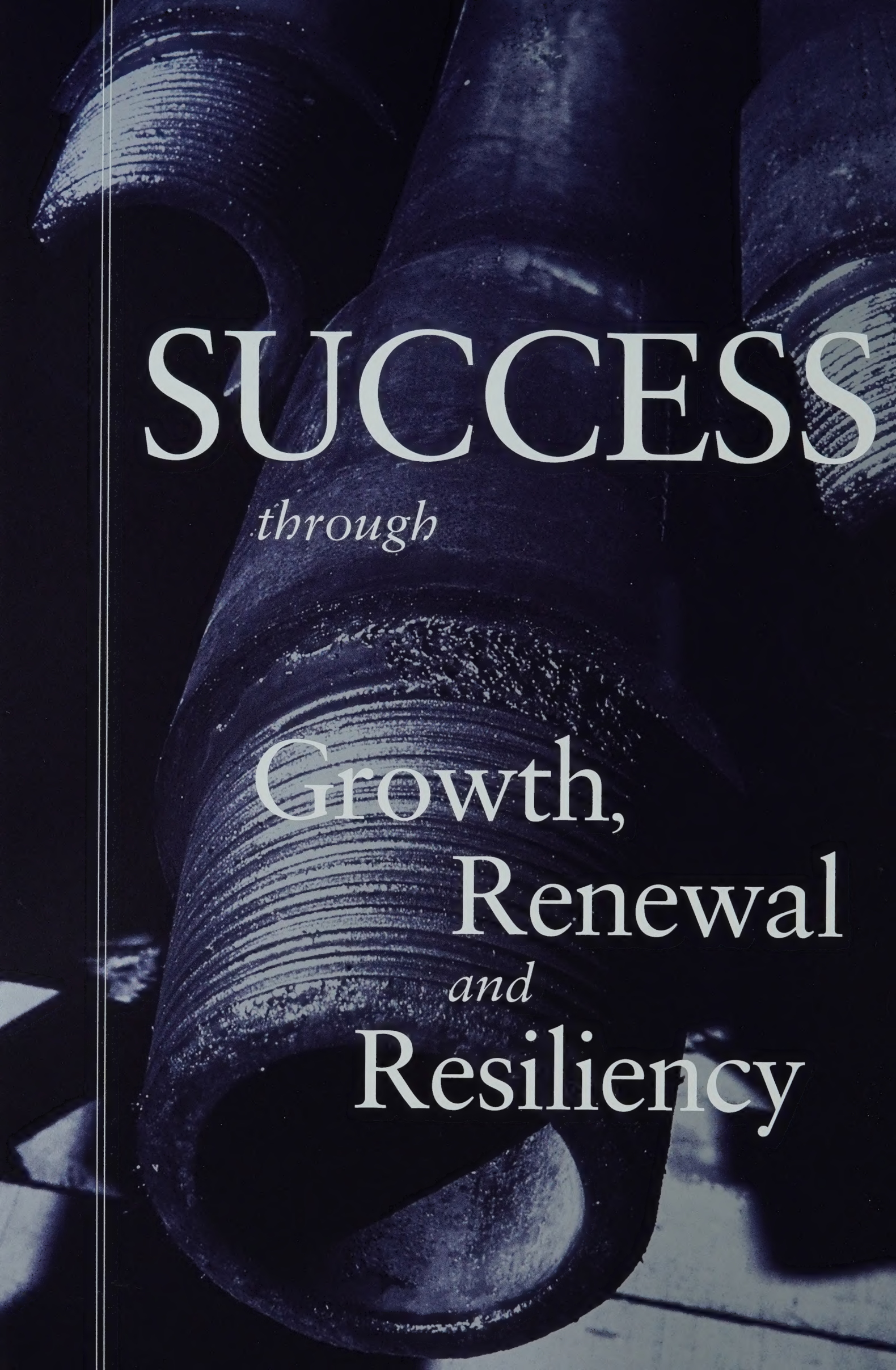
DAWSON

Dawson is relatively undeveloped and has significant potential for reserve additions. In 2001, a 12 well development program resulted in 1.9 million BOE at a cost of \$8.95 per BOE. Significant infrastructure was also developed in the year. Notwithstanding, volumes from the area were curtailed due to weather delays, regulatory restrictions and performance issues. All issues are now behind us and the area is performing as expected. Development in 2002 will focus on production maintenance and increasing system capacity to accommodate new production and future natural gas drilling. PrimeWest is the operator of the property and owns an average 50% working interest in the area.

SOUTHEASTERN ALBERTA

The largest property within this area is Grand Forks, acquired by PrimeWest in March 1998. This PrimeWest operated property produces medium gravity crude oil and natural gas. Since acquiring the property, PrimeWest has actively drilled in-fill locations effectively arresting the decline and maintaining relatively stable production over this time. In 2001, a 13 well program resulted in 12 producing wells adding substantial incremental natural gas production. Development in 2002 will focus on pool optimization with some limited development drilling.





SUCCESS

*through*

Growth,  
Renewal  
*and*  
Resiliency



*Increasing our market capitalization from \$249 million in 1996 to over \$1 billion during 2001 making PrimeWest the 4<sup>th</sup> largest conventional oil and gas royalty trust in North America.*

*In five years, we have increased production from 9,600 BOE per day in 1996 to over 30,000 per day in 2001, a compound annual growth rate of over 25%.*

In 2001, PrimeWest emerged as the fourth largest player in the North American Oil and Gas Royalty Trust Sector; a year which also marked a major consolidation in the Canadian oil and gas producer sector and the most volatility in natural gas prices in history.

We delivered growth in distributions to unitholders, production, reserves and asset quality.

- set a record for distributions, \$2.31 per unit;
- doubled production;
- increased PrimeWest's gas weighting to approximately 60 percent;
- maintained a strong balance sheet;
- improved the quality of oil and gas production;
- increased our portfolio of development opportunities;
- mitigated the impact of price declines for a significant portion of production volumes for two years at record first quarter prices; and
- became the most actively traded oil and gas royalty trust in North America.

Celebrating our fifth anniversary, we have provided unitholders over this period:

- the highest rate of growth in distributable cash flow per unit amongst our large cap royalty trust peers.
- cumulative distributions of \$7.78 per unit (93 percent of cash flow per unit since inception), which if reinvested, would total \$10.00, equal to our initial public offering issue price in 1996,
- an average cash-on-cash yield in excess of 20 percent on our initial public offering price of \$10.00 per unit, double the expectation set forth at the time of our IPO,
- a total unitholder return since inception of 68 percent, outperforming the TSE 300 at 52 percent and the Oil and Gas Producers Index at 28 percent as at December 31, 2001, and
- as at March 31, 2002, a total unitholder return of 98 percent.

*We are building a new team*

## M E S S A G E   T O   U N I T H O L D E R S

*to take PrimeWest forward strongly as a large-cap royalty trust*



The most significant corporate achievement in 2001 was the takeover of Cypress Energy Inc. in March, which resulted in the doubling of production to over 30,000 BOE per day. Cypress represented an attractive acquisition opportunity, an under exploited reserve base characterized by high netback production. In excess of \$100 million of low risk development opportunities identified to date on Cypress properties will enable PrimeWest to add production and reserves on a low cost basis in the years to come to help support and sustain distributions to our unitholders. The transaction strategically positioned PrimeWest as the most gas weighted, large cap royalty trust in Canada.

*We've increased production, reserves and liquidity.*

## G R O W T H

The Cypress acquisition was principally financed through a unit for share exchange. Buoyant first quarter commodity prices enabled us to undertake the transaction at an attractive exchange ratio supported by a unit price of \$9.75, the highest trading price PrimeWest had achieved since 1997. We also partially protected the transaction and PrimeWest unitholders from the risk of downward commodity price movements, by hedging 80 percent of 2001 production and 68 percent of anticipated 2002 production at record prices. The result was \$39 million of hedging gains (\$0.38 per unit) in 2001. A similar gain is expected in 2002.

The Cypress acquisition also brought challenges, both organizationally and operationally. In part due to wet weather that restricted drilling access, PrimeWest's expanded capital development program was late in delivering promised production volumes in 2001, though actual program results, now in, are running ahead of our initial expectations. Integration of a large compliment of Cypress staff into a royalty trust cultural setting was more difficult than anticipated. As a result, PrimeWest was slow to react to certain post closing production performance and operating cost issues. These issues have now been substantially resolved. We are now pleased to report that



Cypress and PrimeWest operations are fully and successfully integrated. We remain confident that we will meet or exceed all expectations we set forth when the transaction was announced.

To reflect the increased scope, scale and complexity of PrimeWest, we added significant new strength to our management team in 2001.

Don Garner, President and Chief Operating Officer, was formerly president of Northstar Energy (Devon Canada), a producer twice the size of PrimeWest, and prior thereto an executive at Imperial Oil.

Dennis Feuchuk, Vice-president, Finance and Chief Financial Officer, was previously Vice President and Controller of Gulf Canada Resources and Vice President and Treasurer Athabasca Oil Sands Trust.

Bill Rowe, Vice-president, Planning and Investor Relations joined PrimeWest from NOVA Chemicals Corporation where he held a similar office.

Don, Dennis and Bill join Kent MacIntyre, Ron Ambrozy and Tim Granger as your senior management team. The capabilities and depth of experience of this team well positions PrimeWest to grow significantly as well as manage the existing business.

*We've replenished our suite of*

R E N E W A L

*opportunities and upgraded asset quality.*

Moving into 2002, we have worked hard to position PrimeWest's balance sheet to guard against lower commodity prices, and with \$125 million of available credit, we are in a strong financial position relative to our competitors. Our opportunities to expand our business both through internal growth and through acquisition, significantly exceed the \$40 million we have committed to date for capital programs in 2002. Look to PrimeWest to expand its capital development program should a sustainable recovery in commodity prices become evident.



Increased emphasis will be placed on expanding our reserves position and production platform as the year progresses, now that our drive to upgrade the cash flow characteristics of our barrels has been achieved.

As a commodity based investment, we outperform our peers by focusing on high-quality reserves and production, and controlling costs. PrimeWest is a low cost leader among our large cap energy trust peers in operating, general and administrative and all-in cash costs.

*We've strengthened our financial position*

R E S I L I E N C Y

*to weather cyclical downturns.*

Today we offer, among our peers, many attractive investment attributes:

- most active trading of units;
- highest yield;
- highest level of distribution protection;
- one of the lowest debt-to-cash flow multiples; and
- highest exposure to a long term gas price recovery.

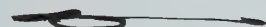
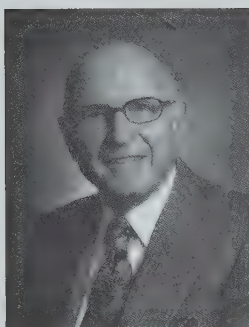
As evidenced in 2001, PrimeWest operates in an environment where commodity prices can be highly volatile. Over the course of 2001, oil prices were off 30 percent and gas prices fell more than 60 percent, adversely affecting our distribution rates and unit trading performance. Despite an aggressive commodity risk management program to mitigate such effects, PrimeWest under-performed the royalty trust peer group which is predominately oil weighted.

Moving into 2002, we have seen both commodities rally, with year-to-date oil and gas prices up substantially as the economic recovery appears to take hold. While there may be a short term pullback, we remain bullish on the long term prospects for gas. The same supply and demand





**Harold P. Milavsky**  
*Chairman*



**Kent J. MacIntyre**  
*Vice-chairman and  
Chief Executive Officer*



**Donald A. Garner**  
*President and  
Chief Operating Officer*



April 5, 2002

fundamentals that caused gas prices to reach record levels a year ago appear to be forming again. Such a perspective is certainly aligned with the expectations of the forward commodity markets, where gas futures are priced to a significant premium to current price levels. As importantly, the forward markets suggest that gas prices should consistently outperform oil prices by more than 30 percent over the next five years, positioning PrimeWest for out-performance relative to its oil weighted peer group moving forward. Perhaps evidencing such an outlook, PrimeWest is the top performing large cap royalty trust in the first quarter of 2002, posting an 18 percent total return.

Congratulations to all our employees and contractors for their focus and outstanding performance in a difficult and challenging environment in 2001. We could not have achieved our industry leadership position without your contribution.

We wish to thank our unitholders for your patience and loyalty as we transitioned from a junior to senior player in the energy trust sector in 2001. With the overlay of a volatile commodity market, unitholders experienced significant changes in our pattern of distributions through the year. Your management team and the Board of Directors are focused on earning your confidence in 2002 with predictable and sustainable distributions. Our distribution level is presently \$0.10 per unit. To sustain this level, we must deliver on our first half production objective of 29,000 to 30,000 BOE per day through the entire year, aggressively manage our costs and continue to enjoy the commodity price rebound experienced from February through April. Management's challenge is to mitigate both production and price uncertainty and further reduce costs in order to maintain a sustainable and predictable distribution level. We are confident in the capability of our management team to deliver on these objectives.

PrimeWest has delivered on its strategic commitments of growth, operating excellence, financial prudence and risk management in 2001.

Thank you for your continued support.



#### WHAT IS AN OIL AND GAS ROYALTY TRUST?

An Oil and Gas Royalty Trust (Trust) owns, directly or indirectly, interests in oil and gas producing properties in trust for its unitholders. The objective of a Trust is to exploit already producing oil and gas properties to provide cash flow which the Trust distributes monthly.

#### WHO ARE THE TRUSTS AND WHERE DO THEY FIT IN THE BIG PICTURE OF EQUITY INVESTMENT OPPORTUNITIES?

Trusts are part of an equity investment sector called income trusts. In Canada, there are over 100 income trusts with a total market capitalization exceeding \$30 billion, about 3 percent of the total market capitalization of the TSE 300.

Oil and gas trusts make up about one third of this total, real estate investment trusts another third and the balance is widely distributed among other businesses. As yet, the sector is not represented in the TSE 300, notwithstanding that several trusts are larger and more liquid than many TSE 300 included companies.

The Canadian Oil & Gas Royalty Trust Landscape:

| Market Capitalization of the Trusts   | (millions of dollars) <sup>(1)</sup> |
|---------------------------------------|--------------------------------------|
| <i>Canadian Oil Sands Trust</i>       | \$ 2,508                             |
| <i>Enerplus Resources Fund</i>        | 1,795                                |
| <i>ARC Energy Trust</i>               | 1,420                                |
| <i>Pengrowth Energy Trust</i>         | 1,271                                |
| <b>PrimeWest Energy Trust</b>         | <b>939</b>                           |
| <i>NCE Petrofund</i>                  | 554                                  |
| <i>Shiningbank Energy Income Fund</i> | 438                                  |
| <i>Viking Energy Royalty Trust</i>    | 403                                  |
| <i>Provident Energy Trust</i>         | 339                                  |
| <i>NAL Oil and Gas Trust</i>          | 308                                  |
| <i>Freehold Royalty Trust</i>         | 301                                  |
| <i>Advantage Energy Income Fund</i>   | 285                                  |
| <i>APF Energy Trust</i>               | 199                                  |
| <i>Ultima Energy Trust</i>            | 97                                   |
| <i>Other</i>                          | 150                                  |
|                                       | <b>\$ 11,007</b>                     |

(1) As at March 22, 2002

*PrimeWest Energy Trust*

Q U E S T I O N S      &      A N S W E R S



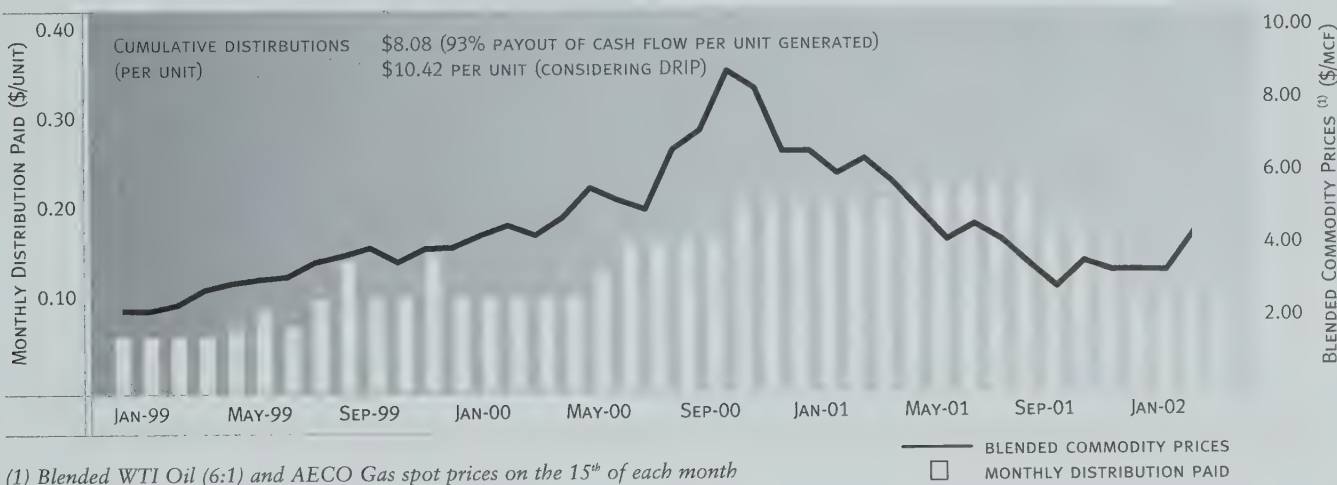
HOW IS A TRUST DIFFERENT FROM ANY OTHER OIL AND GAS COMPANY?

Oil and gas companies, in addition to exploiting already known pools of oil and gas, explore for significant new pools of hydrocarbons. Trusts do not undertake such high risk exploration activities. Oil and gas companies use the cash flow from producing properties to reinvest in exploration and development activities; whereas Trusts return a significant majority of cash flow to unitholders, through monthly, partially tax deferred distributions.

HOW ARE DISTRIBUTIONS DETERMINED?

Distributions from a Trust to unitholders are highly dependent upon the cash flow generated by the Trust. By far, the largest variable in determining the level of cash flow is prices for crude oil and natural gas. See the chart below for PrimeWest’s recent history.

DISTRIBUTIONS VS COMMODITY PRICES THROUGH APRIL 2002



(1) Blended WTI Oil (6:1) and AECO Gas spot prices on the 15<sup>th</sup> of each month

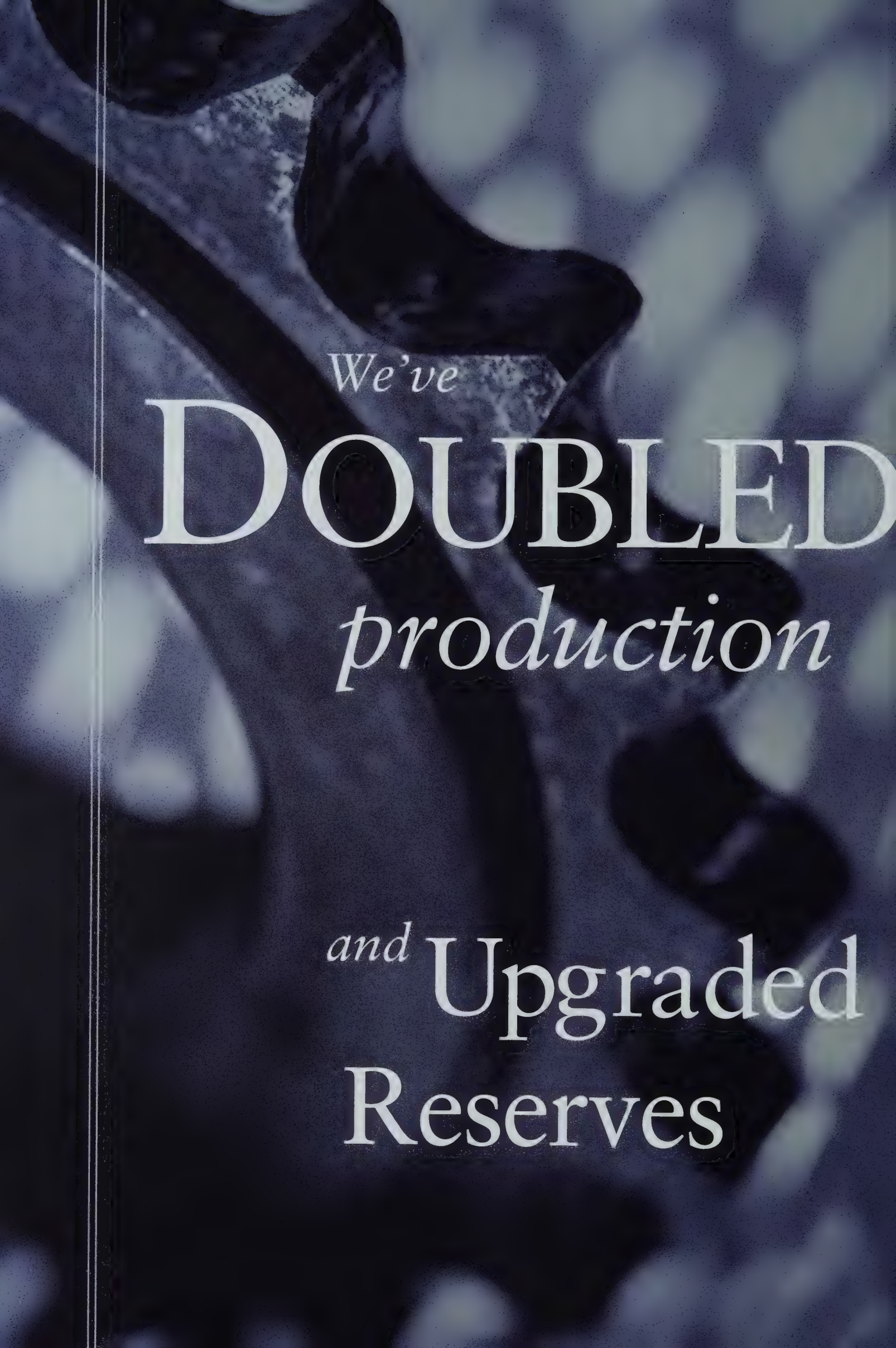
WHY ARE TRUST YIELDS SO HIGH COMPARED TO BONDS, GICS AND PREFERRED STOCK?

Bonds, GICs and preferred stock are generally referred to as “fixed income” or “yield” investments. They offer economic rent in the form of interest or dividends of a fixed amount for a fixed period of time. At maturity, an investor receives back the amount of the original investment.

Trusts pay out variable amounts for whatever time period an investor chooses to hold the Trust Units. The principal amount, that’s the trading value on the stock exchange, will vary significantly depending primarily on energy prices and a Trust’s ability to replace reserves and maintain production.

Thus, the primary difference between “fixed income” investments and Trusts is the significant added risk of the underlying business, primarily oil and gas production and commodity prices.





*We've*  
**DOUBLED**  
*production*

*and* Upgraded  
Reserves

Asset growth, through strategic acquisitions of businesses and assets, is the key to ensuring sustainability and growth of the Trust over the long-term. In assessing potential acquisitions, we look for high-quality assets, light gravity crude oil, and high heat content natural gas with low operating costs, and assets that will replenish our pool of development opportunities. We achieved all of these objectives with our acquisition of Cypress Energy Inc. in March of 2001.

DOUBLED DAILY PRODUCTION (BOE)

| 2001 Actual | 2001 Pro-forma |        |      |
|-------------|----------------|--------|------|
| 29,774      | 33,850         | 16,237 | 108% |

(1) The 2001 actual figure includes only 9 months of Cypress production; the pro-forma figure reflects a full year of Cypress production.

UPGRADED RESERVES

With the acquisition of Cypress we acquired relatively light crude oil and high heat content natural gas. In addition, we re-weighted our reserves portfolio to emphasize natural gas.

|                                 | Crude oil<br>(Mbbl) | Natural gas<br>(MMcf) | Natural gas liquids<br>(Mbbl) | Jan. 1, 2002<br>total reserves<br>(MBOE) | Jan. 1, 2001<br>total reserves<br>(MBOE) |
|---------------------------------|---------------------|-----------------------|-------------------------------|------------------------------------------|------------------------------------------|
| As at January 1, 2002           |                     |                       |                               |                                          |                                          |
| RESERVES SUMMARY                |                     |                       |                               |                                          |                                          |
| Proved producing                | 22,486              | 287,143               | 6,505                         | 76,848                                   | 48,900                                   |
| Total proved                    | 24,719              | 349,305               | 7,830                         | 90,766                                   | 57,149                                   |
| Probable                        | 7,651               | 128,807               | 3,432                         | 32,551                                   | 24,855                                   |
| Total proved and probable       | 32,370              | 478,112               | 11,262                        | 123,317                                  | 82,004                                   |
| Established                     | 28,545              | 413,708               | 9,546                         | 107,042                                  | 69,577                                   |
| % of total established reserves | 27%                 | 64%                   | 9%                            |                                          |                                          |

PrimeWest Energy Trust

A S S E T   G R O W T H

to replenish opportunities and sustain distributions.





*We've*

**RENEWED**

*our focus on*

Natural Gas

*and*

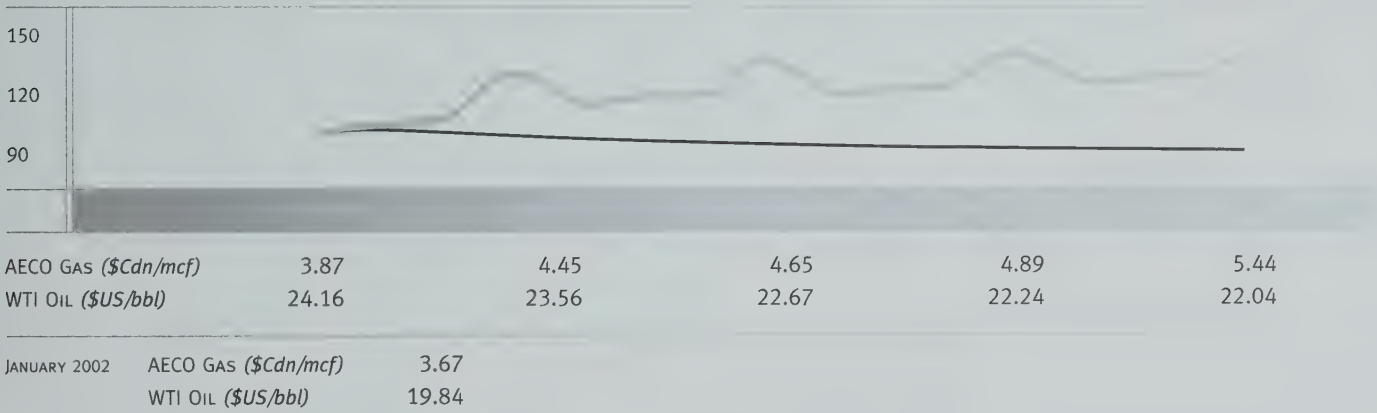
Operating  
Excellence

Natural gas price  
forward curve suggests  
future outperformance  
against oil prices of 40%  
over next 3 years.

PrimeWest’s daily production and sale of oil and gas drives our cash flow and, in turn, our distributions. Our strategy of actively managing natural decline rates through optimization programs, preventative maintenance and reservoir management are key factors in delivering distribution predictability and sustainability. Tight controls over field production costs help maximize our netbacks, or the profit margin from each barrel of oil or Mcf of gas produced.

Capital development programs, add value through the low-cost addition of proved producing reserves, reserves that help sustain production rates and generate cash flow. We take a diversified approach to capital development activities, taking care not to risk too much capital on any one project. Capital development activities include development drilling, waterflood optimization, workovers and facilities optimization.

FUTURES MARKET - GAS RECOVERY  
Futures Index (April 2002 = 100)



WHY NATURAL GAS?

We believe natural gas will continue to be the fossil fuel of choice because it’s clean-burning and highly efficient. North American demand is expected to grow to meet expanding residential, commercial and industrial markets in a growing economy.

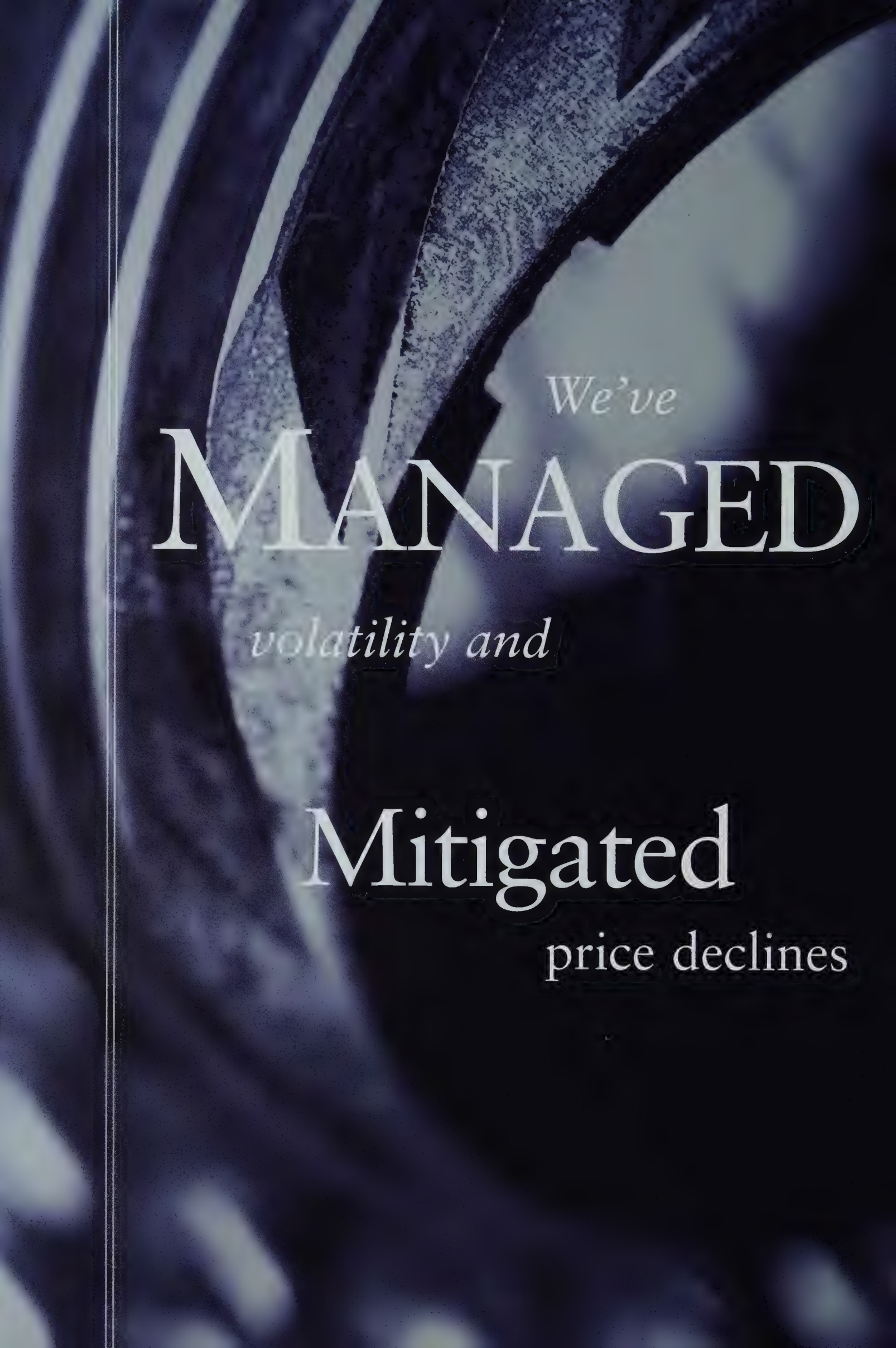
We bought Cypress anticipating a strong environment for natural gas prices relative to crude oil. That’s what the futures market foretold in the first quarter of 2001 and the message is the same today.

PrimeWest Energy Trust

OPERATING EXCELLENCE

to sustain and grow production levels and lower costs.





*We've*  
**MANAGED**

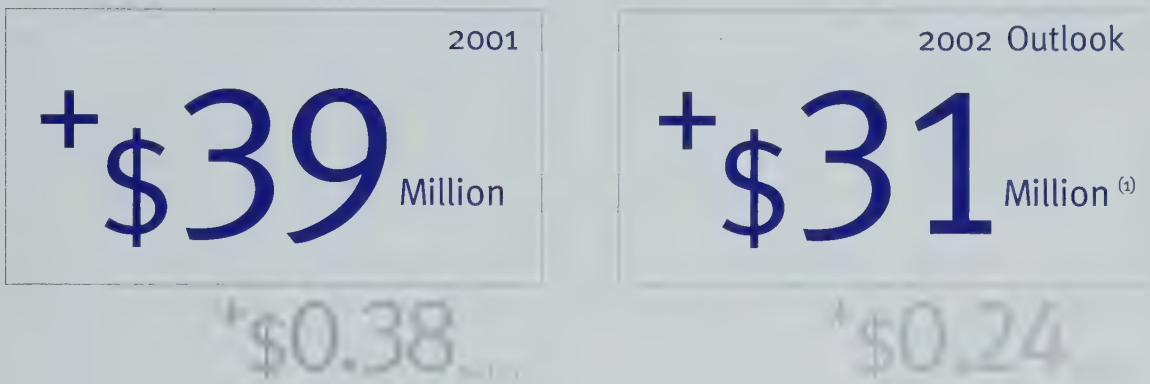
*volatility and*

**Mitigated**

price declines

During 2001, PrimeWest undertook the most active commodity risk management program in the royalty trust sector. Given the extreme price volatility during the year especially in natural gas, PrimeWest locked in pricing on 78 percent of its total 2001 natural gas production after royalties and 84 percent of its total crude oil production after royalties at record prices. In aggregate, PrimeWest enhanced its cash flow by \$39 million, or \$0.38 Trust Unit outstanding, through its hedging activities in 2001. Our aim is to reduce distribution volatility and to maintain a predictable and sustainable distribution level, currently \$0.10 per Trust Unit per month.

HEDGING GAINS



(1) As at March 13, 2002

PrimeWest continues to actively hedge its future production, having 68 percent of estimated 2002 natural gas production after royalties and 65 percent of estimated 2002 crude oil production after royalties currently hedged. The hedge structures we have used are primarily fixed price swaps or collars to provide stability to our distribution level. Hedging activities are managed through a Commodity Risk Management Committee of key executives operating within a policy framework established by and regularly reviewed by the Board of Directors.

Beyond our hedging activities, we also seek to reduce risk by maintaining a reasonable balance between natural gas and crude oil. Also, a sizeable portion of our cash flow is in the form of overriding royalties, which do not attract royalties or operating expenses and therefore have higher profit margins and less volatility, mitigating the impact of commodity price movements.



|    |                                                       |
|----|-------------------------------------------------------|
| 21 | 2001 Highlights                                       |
| 22 | Production                                            |
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### *Our Vision*

TO BE RECOGNIZED BY OUR INVESTORS AND EMPLOYEES AS THE BEST ENERGY TRUST AS MEASURED BY BEING THE EMPLOYER AND INVESTMENT OF CHOICE WITHIN THE ENERGY TRUST SECTOR, BY BEING A LEADER IN THE INDUSTRY, AND BY MAINTAINING A POSITIVE CORPORATE CULTURE AND IMAGE.

### Notice to readers:

In December of 2001, the Canadian Institute of Chartered Accountants (CICA) published a Review Draft recommending an integrated disclosure framework whereby companies structure and integrate their MD&A disclosures within a broad organizational reporting context and disclosure framework. The Review Draft emphasizes a balance between historical and forward-looking information and analysis.

PrimeWest believes in improved disclosure as one means to increase transparency and level the playing field among market participants. We strongly endorse the proposals of the CICA as a major step towards improved disclosure.

Accordingly, our 2001 MD&A is prepared on a basis consistent with the CICA proposals.

MANAGEMENT’S DISCUSSION & ANALYSIS

The following discussion is management’s analysis (MD&A) of PrimeWest’s operating and financial results for the year ended December 31, 2001 compared with the prior year as well as information and opinions concerning the Trust’s future outlook based on currently available information. This discussion should be read in conjunction with the Trust’s audited consolidated financial statements for the years ended December 31, 2001 and 2000, together with accompanying notes. These are included on pages 38 through 53 of this annual report.

NATURAL GAS CONVERSION EQUIVALENT

All calculations required to convert natural gas to a crude oil equivalent (BOE) have been made using a ratio of 6 thousand cubic feet of natural gas to 1 barrel of crude oil.

FORWARD-LOOKING INFORMATION/OUTLOOK

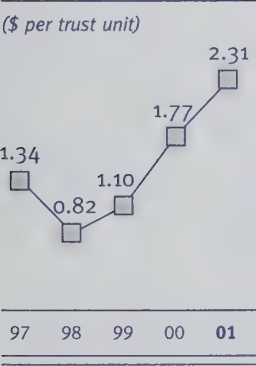
The following discussion, as well as other sections within this annual report, contain forward-looking or outlook information with respect to PrimeWest.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking or outlook information. These risks and uncertainties include: commodity price levels; production levels; the recoverability of reserves; transportation availability and costs; operating and other costs; interest rates and currency-exchange rates; and changes in environmental and other legislation and regulations. The nature of these risks are discussed in greater detail at pages 33 through 35 of this MD&A.

2001 HIGHLIGHTS

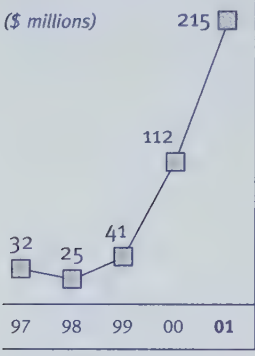
- Distributions declared totaled a record \$2.31 per Trust Unit, up 31% from the \$1.77 per Trust Unit declared in 2000.
- Cash flow per Trust Unit totaled \$2.09, down 16% from \$2.51 per Trust Unit in 2000 due to delayed development, production shortfalls at Thorsby and Dawson and the dilutive impact of equity issues to de-lever the balance sheet.
- Added over 91% of established reserves in the year, through the corporate acquisition of Cypress Energy Inc. and capital development activities.
- Average daily production grew by over 80% compared to the prior year, to 29,774 BOE per day.
- Exit rate for average daily production of approximately 30,500 BOE per day, after asset sales in the fourth quarter.
- Posted an investor margin (operating margin less cash G&A, interest, cash taxes and cash management fees) of \$19.74 per BOE, an increase of 5% from the prior year.
- Exited 2001 with a debt-to-cash flow ratio of just over one times, providing a high degree of financial flexibility. Available credit at December 31, 2001 totaled approximately \$125 million.

DISTRIBUTIONS





CASH FLOW FROM OPERATIONS



CASH FLOW RECONCILIATION

The following table shows a reconciliation of 2001 cash flow from operations to the prior year.

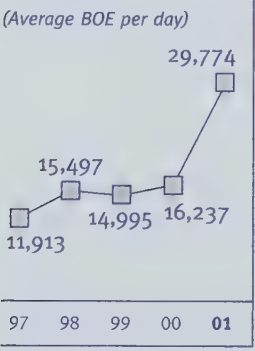
| INCREASE (DECREASE) IN CASH FLOW       | \$'000     |
|----------------------------------------|------------|
| 2000 Cash Flow from Operations         | \$ 112,062 |
| Effect of production volumes           | 150,261    |
| Effect of natural gas price            | 23,079     |
| Effect of hedging gas                  | 34,530     |
| Effect of crude oil price              | (21,283)   |
| Effect of hedging crude oil            | 4,950      |
| Effect of natural gas liquids price    | (2,871)    |
| Effect of royalty expense              | (38,000)   |
| Effect of operating expenses           | (28,776)   |
| Effect of interest expense             | (7,440)    |
| Effect of cash G&A and management fees | (9,408)    |
| Other                                  | (2,593)    |
| 2001 Cash Flow from Operations         | \$ 214,511 |

PRODUCTION VOLUMES

Production volumes for 2001 averaged 29,774 BOE per day, up 83% from the prior year. The major impact on production volumes was the effect of the Cypress acquisition. Other factors affecting production year-over-year were as follows:

| PRODUCTION RECONCILIATION                                | BOE per day |
|----------------------------------------------------------|-------------|
| 2000 Daily Production exit rate                          | 17,672      |
| Effect of Cypress acquisition (effective March 29, 2001) | 12,933      |
| Capital Development program                              | 3,946       |
| Asset Dispositions                                       | (311)       |
| Natural Decline on 2001 Production                       | (4,466)     |
| 2001 Daily Average Production                            | 29,774      |

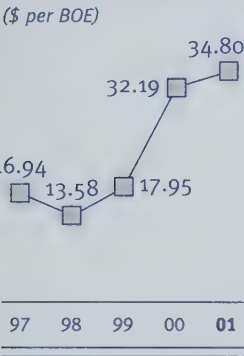
PRODUCTION GROWTH



| PRODUCTION SUMMARY                    | 2001   | %   | 2000   | %   |
|---------------------------------------|--------|-----|--------|-----|
| Crude Oil (barrels per day)           | 10,033 | 34  | 6,582  | 41  |
| Natural Gas Liquids (barrels per day) | 2,273  | 7   | 1,483  | 9   |
| Natural Gas (MMcf per day)            | 104.80 | 59  | 49.03  | 50  |
| Total Oil Equivalent (BOE per day)    | 29,774 | 100 | 16,237 | 100 |

Of total production in 2001, 6% or 1,790 BOE per day was attributable to gross overriding royalties. PrimeWest's production mix became weighted towards natural gas with the Cypress acquisition.

COMMODITY PRICES



OUTLOOK FOR PRODUCTION VOLUMES

We exited 2001 with a production level of approximately 30,500 BOE per day. Our target for the first half of 2002 is to produce an average of 29,000 - 30,000 BOE per day. Our natural production decline rate is approximately 16% per year. Our capital development program of \$40 million for the first half of 2002 is expected to substantially offset this decline.

COMMODITY PRICES

| AVERAGE SALES PRICES (Canadian dollars) | 2001  | 2000  | Change |
|-----------------------------------------|-------|-------|--------|
| Natural Gas (\$ per mcf)                | 6.16  | 4.65  | 32%    |
| Crude Oil (\$ per barrel)               | 32.21 | 36.67 | (12%)  |
| Natural Gas Liquids (\$ per barrel)     | 30.96 | 34.42 | (10%)  |
| Total Oil Equivalent (\$ per BOE)       | 34.80 | 32.19 | 8%     |

Crude oil, using West Texas Intermediate (WTI) as the benchmark, entered 2001 at \$US 26.80 per barrel, reached a high of \$US 32.19 per barrel in January, and exited 2001 at \$US 19.84 per barrel, a decline of 26%.

Natural gas, using AECO as the benchmark, entered 2001 at \$12.70 per Mcf and exited 2001 at \$3.56 per Mcf, a decline of 72%. In early 2001, supply concerns, especially in certain U.S. markets, and high demand drove prices to record levels. An increase in drilling activity and related gas supply, coupled with a dramatic drop off in demand due to high prices and slowing economic growth caused the sharp decline in natural gas prices over the year.

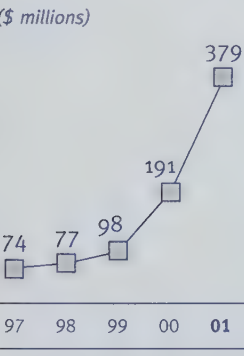
During 2001, PrimeWest actively protected against the risk of falling prices on a major portion of its production by either fixing the price or protecting the downside risk through a put or collar arrangement. In aggregate, total average sales prices were higher by \$3.63 per BOE than would otherwise have been the case if PrimeWest had not entered into price protection arrangements.

SALES REVENUE

Gross sales revenues from crude oil, natural gas liquids and natural gas rose by 98% year-over-year, totaling \$379.2 million for 2001. Total sales revenue is influenced both by production volumes which increased year-over-year as discussed above, and commodity prices, which are discussed below.

| REVENUE (\$ millions) | 2001  | %   | 2000  | %   | Change |
|-----------------------|-------|-----|-------|-----|--------|
| Natural Gas           | 235.5 | 62  | 84.3  | 44  | 179%   |
| Crude Oil             | 118.0 | 31  | 88.3  | 46  | 34%    |
| Natural Gas Liquids   | 25.7  | 7   | 18.7  | 10  | 37%    |
|                       | 379.2 | 100 | 191.3 | 100 | 98%    |

SALES REVENUE



NATURAL GAS REVENUES

Higher production volumes were attributable primarily to the Cypress acquisition. Higher year-over-year average natural gas prices also contributed to the increase. The average price was supported by an active and successful hedging program that added \$0.90 per Mcf (\$34.5 million) to the average gas price.



### CRUDE OIL REVENUES

Increased crude oil production was offset by lower average crude oil prices in the year. Included in the average price is a \$1.35 per barrel (\$5.0 million) gain realized through hedging activities.

### NATURAL GAS LIQUIDS REVENUES

Increased production volumes, offset by lower prices, resulted in the overall increase. PrimeWest does not hedge its natural gas liquids prices.

### PRICE OUTLOOK

Commodity prices at the outset of 2002 were relatively weak. In mid-February we began to see an unanticipated strengthening in both crude oil and natural gas prices.

We continue to be concerned about excessive levels of inventory for both crude oil and natural gas. On the positive side, the anticipated economic recovery in North America appears to be underway. Nevertheless, in the near-term, we are cautious about the sustainability of current prices for both oil and gas. We would look 12 months out before underlying supply conditions would support a prolonged increase in prices for natural gas. We are concerned that the existing excess supply of crude oil may continue for perhaps several years to come should OPEC's discipline weaken and non-OPEC countries, particularly Russia, grow supply. Our perspective is consistent with the current forward pricing curve for both commodities.

### ROYALTIES

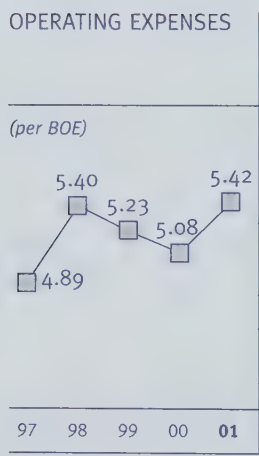
|                                    | 2001    | 2000    |
|------------------------------------|---------|---------|
| Royalty Expense ( <i>million</i> ) | \$ 73.2 | \$ 35.2 |
| Per BOE                            | 6.73    | 5.92    |
| Royalties as % of Sales Revenue    | 19.3%   | 18.4%   |

Higher royalties are the direct result of higher revenues. The overall increase in the royalty rate is due to the higher proportion of natural gas sales as compared to crude oil, as natural gas royalties are higher as a percentage of sales than crude oil. Offsetting this is the effect of hedging gains that do not attract royalties and would result in a lower royalty as a percentage of sales.

### OPERATING EXPENSES

|                                       | 2001    | 2000    |
|---------------------------------------|---------|---------|
| Operating Expenses ( <i>million</i> ) | \$ 59.0 | \$ 30.2 |
| Per BOE                               | \$ 5.42 | \$ 5.08 |

In aggregate, operating expenses increased by \$28.8 million, or 95% from the prior year. This increase is largely due to the acquisition of Cypress in the first quarter of the year. On a BOE basis, operating expenses increased by 6.7% to \$5.42. While PrimeWest benefited from the lower per BOE cost of the Cypress assets, higher industry costs, in particular power, and maintenance and workover costs increased per BOE costs year-over-year.



## OPERATING MARGIN

| <i>\$ per BOE</i>                                 | 2001     | 2000     | 1999     | 1998     |
|---------------------------------------------------|----------|----------|----------|----------|
| Sales Price and Other Revenue (including hedging) | \$ 34.94 | \$ 32.27 | \$ 17.99 | \$ 13.63 |
| Royalties                                         | (6.73)   | (5.92)   | (3.14)   | (2.28)   |
| Operating Expenses                                | (5.42)   | (5.08)   | (5.23)   | (5.40)   |
| Operating Margin                                  | \$ 22.79 | \$ 21.27 | \$ 9.62  | \$ 5.95  |

The improvement in operating netback reflects the financial benefits of the price protection program, partially offset by a 7% increase in operating expenses per BOE.

## GENERAL AND ADMINISTRATIVE

Cash general and administrative expenses, net of overhead recoveries, were \$0.96 per BOE in 2001, an increase of 37% from \$0.70 per BOE in 2000. Restructuring costs and other one time costs related to the integration of Cypress contributed to the overall increase.

Non-cash general and administrative expenses of \$4.2 million relate to PrimeWest's long-term incentive program for employees. The program is a unit appreciation rights plan, which rewards employees based on total unitholder return (cumulative distributions on a reinvested basis plus growth in unit price). No benefit accrues to employees with respect to the first 5% of total unitholder return. Expenses related to the plan are recorded on a mark-to-market basis, whereby increases or decreases in the valuation of the vested LTIP liability for both distributions and changes in unit price are recorded monthly, as a charge to the income statement, over the six year life of the unit appreciation rights.

Unit appreciation rights in a trust are similar to stock options in a corporation. The intent is to align employee and stakeholder interests. The outcome is expected to be a modest dilution to unitholders' positions over time.

PrimeWest's Short Term Incentive Program, or "bonus" program, is tied entirely to the following corporate objectives plus performance against personal objectives:

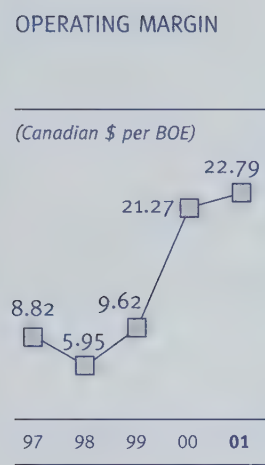
- achieving 29,500 boe per day average production
- containing costs
- outperforming our industry peers in total unitholder return

## COSTS OUTLOOK

We are targeting stabilization in our cost structure in 2002 as follows:

Operations:

- reduced power costs
- aggressive cost management
- continued rationalization of operations with full implementation of independent north and south business units
- strategic alliances to maximize purchasing power





General and Administrative:

- a reduction of 10% in per boe costs by year end 2002
  - reducing contract positions
  - controlling third party service costs
  - continued process improvements including eliminating low value added activities.

Our ongoing objective in the field and at head office is to focus on containing costs during all phases of the commodity price cycle.

MANAGEMENT FEES

As the manager of PrimeWest Energy Trust and its related entities, PrimeWest Management Inc. receives a management fee of 2.5% of net production revenue as well as a quarterly allocation of Trust Units and a 1% retained royalty, paid in the form of a dividend, on payments made to the Trust in connection with the Royalty Agreement. The 1% retained royalty is based on the net cash flow from operations and the proceeds from property dispositions.

For the year ended December 31, 2001, management fees related to operating activities totaled \$8.3 million, compared to \$4.0 million in 2000. The increase in management fees reflects higher net production revenue year-over-year, primarily due to the additional cash flow derived from the Cypress acquisition. Of the \$8.3 million of management fees in 2001, \$6.4 million was paid in cash, and the balance was paid by the issuance of 239,471 Trust Units from treasury. The 1% royalty was \$3.4 million in 2001 (\$0.8 million - 2000). The increase in the royalty is mainly attributable to the higher cash flows achieved during 2001.

In addition to the fees indicated above, the Manager is also entitled to an acquisition fee representing 1.5% of capital spent on asset or corporate acquisitions and a disposition fee representing 1.25% of proceeds received from asset dispositions. In 2001, these fees totaled \$13.0 million and have been charged or credited as part of the cost of the assets purchased or sold.

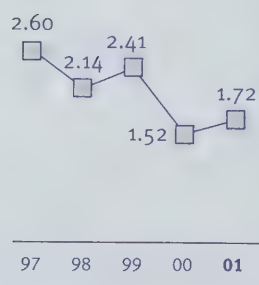
INTEREST EXPENSE

Interest expense increased to \$13.8 million in 2001 compared to \$6.4 million in 2000. Higher interest expense resulted from higher year-over-year average debt levels offset by lower interest rates.

|                                    | 2001     | 2000    |
|------------------------------------|----------|---------|
| Interest Expense (million)         | \$ 13.8  | \$ 6.4  |
| Year End Debt Level (million)      | \$ 195.1 | \$ 79.0 |
| Year End Debt Level per Trust Unit | \$ 1.72  | \$ 1.52 |
| Average Cost of Debt               | 5.6%     | 7.5%    |

DEBT LEVEL  
PER TRUST UNIT

(year end, \$ Canadian)



DEPLETION, DEPRECIATION AND AMORTIZATION

The 2001 depletion, depreciation and amortization (DD&A) rate was \$14.66 per BOE compared to \$7.21 per BOE for 2000, primarily a result of the acquisition of Cypress.

The 2001 DD&A rate is inflated relative to the acquisition cost of the Cypress reserves due to the requirement to account for future income tax liabilities associated with these reserves. Absent this tax adjustment, the 2001 DD&A rate would have been \$11.39.

## CEILING TEST

In accordance with its stated accounting policies, PrimeWest performs a ceiling test at each balance sheet date which compares the book value of capital assets (i.e. the value of capital assets reflected on the balance sheet, net of DD&A) with an estimate of the future net revenue from proved reserves (as determined by independent engineers) less estimated future general and administrative costs, debt servicing costs, management fees, and applicable income taxes.

Performing this test at the December 31, 2001, using commodity prices of AECO \$3.67 per Mcf for natural gas and \$US 19.84 per barrel WTI for crude oil, would result in a ceiling test deficiency of approximately \$150 million.

PrimeWest is not required to account for any ceiling test impairment, that is not permanent, within the first two years of the Cypress acquisition and therefore no writedown is reflected in the 2001 financial statements.

If March 21, 2002 spot prices of \$4.52 per Mcf for natural gas (AECO) and \$US 25.61 per barrel (WTI) for crude oil were used in the ceiling test, a surplus of \$180 million is indicated.

## SITE RECLAMATION AND RESTORATION RESERVE

A provision of \$3.5 million was made for site reclamation and abandonment during 2001, compared to \$2.9 million for 2000. The provision is based on site reclamation and abandonment cost estimates made by both PrimeWest and external engineers and is charged to expense on a unit of production basis.

To fund future costs related to well abandonment and site cleanup, PrimeWest contributed \$0.32 per BOE, totaling \$4.2 million for 2001, to a segregated fund. This fund is used to pay for reclamation and abandonment costs as they are incurred. In 2001, a total of \$3.8 million was paid out of the reserve leaving a balance of \$0.8 million in the fund at year end.

The 2002 contribution rate has been set at \$0.37 per BOE which is expected to be sufficient to meet the funding requirements for the future.

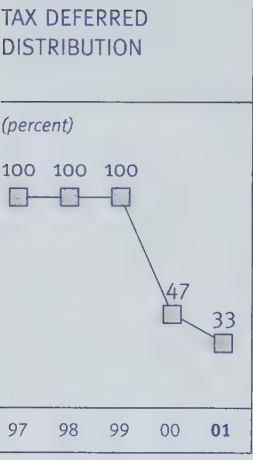
## INCOME TAXES - TRUST

Current income tax expense of \$2.4 million for 2001 (2000 - \$0.5 million) is comprised of the Federal Large Corporations Tax and other capital taxes payable by PrimeWest Energy Inc. The increase in current income taxes year-over-year is due to the addition of the Cypress properties.

PrimeWest Energy Inc. manages its operating and financing activities such that it is not subject to current tax payable, other than the capital taxes noted above.

Future income taxes are recorded on corporate acquisitions to the extent that the book value of capital assets acquired exceeds the tax pools acquired. These future taxes increase the cost basis of the capital assets acquired and are recovered over time as royalties are paid to the Trust. The income statement for the year ended December 31, 2001 reflects a future income tax recovery of \$30.3 million due primarily to the future income tax liability of \$376.3 million recorded as part of the Cypress acquisition.





The unitholders of the Trust are allocated taxable income based on the amount of royalty revenue, interest and revenue from direct investments earned (essentially distributions before crown royalty charges), less certain tax deductions such as Canadian Oil and Gas Property Expense (COGPE), resource allowance, unit issue expenses and other direct costs.

INCOME TAXES - UNITHOLDERS

For the 2001 taxation year, unitholders of the Trust were paid \$2.41 per Trust Unit in distributions. Of these distributions, 32.8%, or \$0.79 per Trust Unit is a tax deferred return of capital and 67.2%, or \$1.62 per Trust Unit is taxable to unitholders as other income (taxed the same as interest income). The tax deferred return of capital reduces the unitholder’s adjusted cost base for purposes of calculating a capital gain or loss upon ultimate disposition of their Trust Units. It should be noted that this represents the tax treatment for Canadian residents.

For unitholders resident in the United States, the ultimate tax result is similar to that for Canadian investors after the application of withholding taxes in Canada and tax credits in the United States.

Unitholders resident outside of Canada and the United States should seek independent competent tax advice.

INCOME TAXES - UNITHOLDERS - OUTLOOK

Based on current expectations for cash flow and distributions for 2002, it is anticipated that approximately 55% of 2002 distributions will be taxable and 45% will be tax deferred.

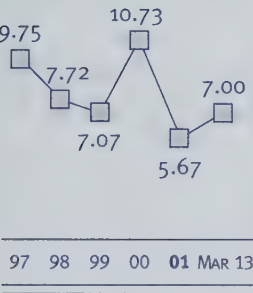
NET ASSET VALUE

Net asset value (NAV) is a measure of the worth of PrimeWest’s underlying assets – primarily crude oil, natural gas and natural gas liquids reserves. The value placed on these reserves is in reference to the pre-tax present value of future net cash flows from these reserves, as independently assessed by Gilbert Laustsen Jung Associates Ltd. (GLJ) as at January 1, 2002. The commodity price forecast used in this assessment is based on the arithmetic average of three independent consultants’ price forecasts. The present value of reserves reflects provision for royalties, operating costs, future capital costs and site reclamation and abandonment costs but is prior to deduction for income taxes, interest costs, general and administrative costs and management fees.

This calculation is a “snapshot” in time and is heavily dependent upon future commodity price expectations at the point in time the “snapshot” is taken. Accordingly, the NAV as at January 1, 2002 may not reflect fairly the equity market trading value of PrimeWest.

It is also significant to note that NAV reduces as reserves are produced and net operating cash flow is distributed. Value is delivered to unitholders through such monthly distributions and through unit price appreciation.

NET ASSET  
VALUE PER UNIT (\$)  
December 31



The following table sets forth the calculation of net asset value:

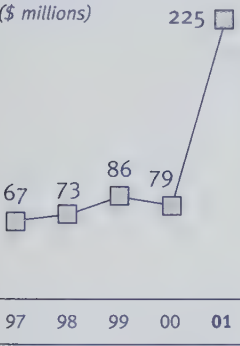
| AS AT JANUARY (\$ million except per Trust Unit amounts)                   | 2002    | 2001   |
|----------------------------------------------------------------------------|---------|--------|
| ASSETS                                                                     |         |        |
| Present value of net cash flow from established reserves discounted at 10% | 872.6   | 623.0  |
| Hedging mark-to-market                                                     | 39.7    | (1.0)  |
| Unproved lands                                                             | 55.7    | 17.2   |
| Reclamation fund                                                           | 0.8     | –      |
|                                                                            | 968.8   | 639.2  |
| LIABILITIES                                                                |         |        |
| Working capital (deficiency)                                               | (30.5)  | 0.1    |
| Long-term debt                                                             | (195.0) | (78.9) |
|                                                                            | (225.5) | (78.8) |
| Total net asset value                                                      | 743.3   | 560.4  |
| Net asset value pre-tax per Trust Unit                                     | 5.67    | 10.73  |
| Reference prices                                                           |         |        |
| - Oil (\$US WTI/bbl)                                                       | 19.68   | 29.52  |
| - Exchange rate (\$US/\$Cdn)                                               | 0.63    | 0.67   |
| - Natural gas (\$Cdn/mcf)                                                  | 4.03    | 6.91   |

The NAV calculation is based on the commodity price forecast as of January 1, 2002 and is highly sensitive to changes in price forecasts over time. For example, the NAV would have been \$7.00 per Trust Unit if the prices in effect at March 13, 2002 were used in the calculation. Also, the NAV calculation also assumes a “blow down” scenario whereby existing reserves are produced out without being replaced by acquisitions. A major cornerstone of PrimeWest’s strategy is to replace reserves through accretive acquisitions.

LONG TERM DEBT (NET)

December 31

(\$ millions)



## LIQUIDITY AND CAPITAL RESOURCES

### LONG-TERM DEBT

At December 31, 2001, long-term debt, net of working capital was \$225.5 million or \$1.72 per Trust Unit, compared to \$79.2 million, or \$1.52 per Trust Unit at the end of 2000. The increase in long-term debt was due to debt of \$257 million assumed and incurred in connection with the acquisition of Cypress in March of 2001 as well as \$84.2 million spent on the capital development program in 2001. PrimeWest’s credit facility was increased to \$350 million during 2001, shared among five major Canadian lenders. As at year end, available credit lines totaled approximately \$125 million (2000 - \$67 million).

| (thousands of dollars)                                                         | 2001      | 2000    | 1999    |
|--------------------------------------------------------------------------------|-----------|---------|---------|
| Long-term debt                                                                 | 195,000   | 78,940  | 92,180  |
| Working capital (deficit)                                                      | 30,466    | 268     | (5,850) |
| Net debt                                                                       | 225,466   | 79,208  | 86,330  |
| Market value of Trust Units and exchangeable shares outstanding <sup>(1)</sup> | 834,053   | 467,172 | 237,863 |
| Total capitalization                                                           | 1,059,519 | 546,380 | 324,193 |
| Net debt as a percentage of total capitalization                               | 21.3%     | 14.5%   | 26.6%   |

(1) based on December 31 closing price



#### PROPERTY DISPOSITIONS

Shortly after the Cypress acquisition, PrimeWest initiated an asset rationalization program to high grade the properties of the combined companies of PrimeWest and Cypress. Generally, the properties targeted for divestment had higher operating costs, higher future abandonment costs, lower net operating income and less development opportunities than PrimeWest's corporate average for these indicators.

PrimeWest conducted the divestment program over three phases. Phase 1 properties that were sold were closed in Sept./Oct. of 2001 while the larger Phase 2 program consisting of the Garrington and Westward Ho properties was closed in mid December 2001. Net cash proceeds on the Phase 1 and Phase 2 dispositions totaled approximately \$78 million. A number of smaller properties sold in Phase 3 will be closed in Q1 of 2002.

PrimeWest has a small group of minor non core assets totaling no more than 200 boepd that potentially could be sold during the balance of 2002.

#### OUTLOOK - LONG-TERM DEBT

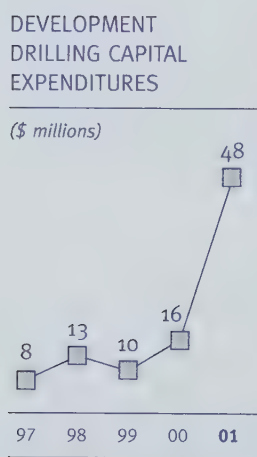
Long term debt net of working capital in 2002 is expected to increase by approximately \$40 million to \$265 million in the absence of any acquisitions or expansion of our 2002 capital development program.

#### UNITHOLDERS' EQUITY

PrimeWest completed two bought deal financings in 2001, the first in June raising \$94.9 million of gross proceeds on the issuance of 9.89 million Trust Units at \$9.60 per Trust Unit and the second in October raising \$70.3 million of gross proceeds on the issuance of 9.9 million Trust Units at \$7.10 per Trust Unit. The net proceeds, after costs of these financings, totaled \$156.2 million, were used to fund the capital development program and to reduce outstanding indebtedness.

#### CAPITAL SPENDING

Capital expenditures, including corporate acquisitions, totaled approximately \$0.9 billion in 2001 as summarized in the following table:



| (thousands of dollars)             | 2001     | 2000    | 1999    |
|------------------------------------|----------|---------|---------|
| Land and lease                     | 6,831    | 545     | 323     |
| Geological and geophysical         | 4,048    | 817     | 893     |
| Development drilling               | 47,766   | 16,416  | 10,199  |
| Plant and facilities               | 21,802   | 5,665   | 2,335   |
| Property acquisitions              | 1,754    | 2,223   | 11,084  |
| Corporate acquisitions (see below) | 820,844  | 116,433 | 13,563  |
| Head office                        | 3,457    | 2,348   | 422     |
| Total additions                    | 906,502  | 144,447 | 38,819  |
| Property dispositions              | (78,144) | (855)   | (5,909) |
| Net additions                      | 828,358  | 143,592 | 32,910  |

Cypress Energy Inc. was acquired in 2001, Venator Petroleum Company Ltd. and Reserve Royalty Corporation were acquired in 2000 and Aberdeen Petroleum (Canada) Ltd. was acquired in 1999.

Capital spending of \$40 million planned for first half of 2002; \$120 million of identified opportunities.

OUTLOOK FOR CAPITAL SPENDING

PrimeWest plans to spend approximately \$40 million in the first half of 2002 on capital development programs. Further spending of up to an additional \$40 million in the second half of 2002 will be contingent upon prevailing market conditions and commodity prices at the time.

The Trust has identified approximately \$120 million, including the \$40 million mentioned above, of development projects which meet or exceed the risked hurdle rates set by management for new investment. For competitive reasons, the Trust does not disclose its hurdle rate for acquisitions, but guidance can be provided in that the trust agreement requires the hurdle rate for acquisitions to be a minimum of 400 basis points over intermediate to long-term Canada bonds. At present, this minimum threshold rate would be approximately 10%, pre-tax. The hurdle rate for development projects is significantly higher at a risk adjusted 20%, pre-tax.

UNITHOLDERS' EQUITY

The Trust had 125,965,607 Trust Units outstanding at December 31, 2001 compared to 50,982,093 Trust Units at the end of 2000. In addition, there are 4.1 million exchangeable shares (see below) outstanding, exchangeable into a total of 5,174,732 Trust Units at year end. The weighted average number of Trust Units, including those issuable by the exchange of exchangeable shares, was 102.5 million Trust Units for 2001 compared to 44.6 million for 2000.

During 2001, PrimeWest issued 50.2 million Trust Units on the purchase of Cypress, 19.8 million Trust Units pursuant to equity financings, 1.8 million Trust Units pursuant to the Distribution Reinvestment Plan, 0.6 million pursuant to the Long-Term Incentive Plan for employees and 0.2 million to the Manager pursuant to the Management Agreement.

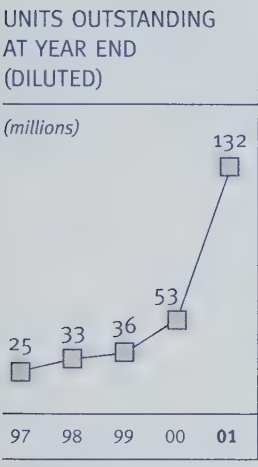
Equity issued, net of costs, totaled \$646.0 million relating to the acquisition of Cypress and the June and October bought deal financings. Dividends declared were \$4.1 million in 2001, compared to \$1.6 million in 2000. Dividends are paid to PrimeWest Management Inc. in conjunction with the Management Agreement (see discussion under Management Fees) and were paid on the exchangeable shares issued in conjunction with the Venator acquisition up to April 30, 2001.

EXCHANGEABLE SHARES

Exchangeable shares were issued in connection with both the Venator acquisition in April 2000 and the Cypress acquisition in March 2001. These shares were issued to provide a tax-deferred rollover of the adjusted cost base from the shares being exchanged to the exchangeable shares of PrimeWest. A tax deferral is not permitted by Canadian tax law when shares are exchanged for Trust Units.

The exchangeable shares do not receive cash distributions. In lieu of receiving cash distributions, the number of Trust Units that the exchangeable shareholder will receive upon exchange increases based on the distribution amount divided by the market price of the Trust Units on the 15<sup>th</sup> day of each month.

At December 31, 2001, there were 0.751 million exchangeable shares outstanding issued in connection with the Venator acquisition (2000 - 1.112 million). The exchange ratio on these shares was 1.36806 Trust Units for each exchangeable share as at year end. In respect of the Cypress transaction, there were 3.317 million exchangeable shares outstanding at the end of the year, each of which was exchangeable into 1.25020 Trust Units.





PrimeWest is committed to distribute 10 cents per unit through the first half of 2002.

For purposes of calculating diluted per Trust Unit amounts, these exchangeable shares have assumed to be exchanged into Trust Units at the current exchange ratio.

### CASH DISTRIBUTIONS

Cash distributions in 2001 totaled \$234.5 million, or \$2.31 per Trust Unit, compared to \$79.0 million, or \$1.77 per Trust Unit in 2000. For tax purposes, reflecting the fact that the December distribution is not paid until January 15, distributions for 2001 were \$2.41 per Trust Unit (\$1.67 per Trust Unit in 2000).

The following table sets out the historical cash distributions per unit since inception:

| Distribution Date | Month     | 2001    | 2000    | 1999    | 1998    | 1997    | 1996    |
|-------------------|-----------|---------|---------|---------|---------|---------|---------|
| February 15       | January   | \$ 0.20 | \$ 0.10 | \$ 0.06 | \$ 0.08 | —       | —       |
| March 15          | February  | 0.20    | 0.10    | 0.06    | 0.08    | —       | —       |
| April 15          | March     | 0.20    | 0.10    | 0.06    | 0.08    | \$ 0.35 | —       |
| May 15            | April     | 0.22    | 0.10    | 0.07    | 0.08    | —       | —       |
| June 15           | May       | 0.22    | 0.13    | 0.09    | 0.08    | —       | —       |
| July 15           | June      | 0.22    | 0.16    | 0.10    | 0.06    | 0.30    | —       |
| August 15         | July      | 0.22    | 0.16    | 0.07    | 0.06    | —       | —       |
| September 15      | August    | 0.22    | 0.16    | 0.14    | 0.06    | —       | —       |
| October 15        | September | 0.17    | 0.16    | 0.10    | 0.06    | 0.30    | —       |
| November 15       | October   | 0.17    | 0.20    | 0.10    | 0.06    | —       | —       |
| December 15       | November  | 0.17    | 0.20    | 0.15    | 0.06    | —       | —       |
| January 15        | December  | 0.10    | 0.20    | 0.10    | 0.06    | 0.39    | \$ 0.44 |
| Total             |           | \$ 2.31 | \$ 1.77 | \$ 1.10 | \$ 0.82 | \$ 1.34 | \$ 0.44 |
| Cumulative Total  |           | \$ 7.78 | \$ 5.47 | \$ 3.70 | \$ 2.60 | \$ 1.78 | \$ 0.44 |

### OUTLOOK FOR CASH DISTRIBUTIONS

PrimeWest distributed \$0.10 per unit per month for the first quarter of 2002 and has committed to distributing \$0.10 per Trust Unit per month for the second quarter of 2002, subject to revision should there be a material change to expected cash flows for the second quarter. Beyond this time frame, the Board of Directors will establish a distribution level commensurate with cash flow expectations and any foreseen internal requirements. If current prices and production levels prevail, distributions may be sustained at \$0.10 per unit per month for all of 2002.

### CASH FLOW SENSITIVITIES

Impact on 2002 cash available for distribution per unit (increase/decrease):

|                                                     | Providing for<br>Price Protection | Without the Effect<br>of Price Protection |
|-----------------------------------------------------|-----------------------------------|-------------------------------------------|
| Crude Oil Price (\$US 1.00 per barrel WTI increase) | \$ 0.020                          | \$ 0.040                                  |
| Natural Gas Price (\$0.10 per Mcf increase)         | 0.010                             | 0.020                                     |
| Interest Rate (1% increase)                         | (0.006)                           | (0.016)                                   |
| Exchange Rate (\$US 0.01 increase)                  | (0.005)                           | (0.030)                                   |
| Production (1,000 BOE per day increase)             | 0.070                             | 0.070                                     |

## BUSINESS RISKS

PrimeWest's operations are affected by a number of underlying risks, both internal and external to the Trust. These risks are similar to those affecting others in both the conventional oil and gas royalty trust sector and the conventional oil and gas producers sector. The Trust's financial position, results of operations, and cash available for distribution to unitholders are directly impacted by these factors. These factors are discussed under two broad categories – Commodity Price, Foreign Exchange and Interest Rate Risk and Operational and Other Business Risks.

### COMMODITY PRICE, FOREIGN EXCHANGE AND INTEREST RATE RISK

The single most important factor affecting the level of cash distributions available to unitholders is the price that PrimeWest receives for its products. These prices are influenced in varying degrees by factors outside the Trust's control. Some of these factors include:

- world market forces, specifically the actions of OPEC and other large crude oil producing countries including Russia, and their implications on the supply of crude oil;
- world and North American economic conditions which influence the demand for both crude oil and natural gas and the level of interest rates set by the governments of Canada and the U.S.;
- weather conditions that influence the demand for natural gas and heating oil;
- the Canadian/U.S. exchange rate that affects the price received for crude oil as the price of crude oil is referenced in U.S. dollars;
- transportation availability and costs;
- price differentials among world and North American markets based on transportation costs to major markets and quality of production.

To mitigate these risks, PrimeWest has an active hedging program in place based on an established set of criteria that has been approved by the Board of Directors. The results of the hedging program are reviewed against these criteria and the results actively monitored by the Board.

Beyond our hedging strategy, PrimeWest also mitigates risk by having a well-diversified marketing portfolio and by transacting with a number of counter-parties and limiting exposure to each counter-party. This strategy paid off in 2001 in connection with the Enron collapse whereby PrimeWest's exposure was limited to only a few contracts representing less than 5% of PrimeWest's total hedge contracts in 2001. PrimeWest incurred no significant losses on closing out these Enron contracts. In 2001, approximately 30% of natural gas production was sold to aggregators and 70% into the Alberta short and long-term markets.

The contracts that PrimeWest has with aggregators vary in length. They represent a blend of domestic and U.S. markets and fixed and floating prices designed to provide price diversification to our revenue stream.

The primary objective of our commodity risk management program is to reduce the volatility of our cash distributions, to lock in the economics on major acquisitions and to protect our capital structure when commodity prices cycle downwards. In 2001, PrimeWest added \$39.5 million (\$0.38 per Trust Unit) to our cash flow through various physical and financial hedging transactions. In total, PrimeWest hedged 84% of full year crude oil production and 78% of full year natural gas production.



## 2001 HEDGING RESULTS

|                      | Full Year<br>Production | % Hedged | Hedging<br>Gain<br>(\$ million) | Per unit of<br>Production |
|----------------------|-------------------------|----------|---------------------------------|---------------------------|
| Natural Gas (mmcf/d) | 104.80                  | 78%      | 34.53                           | \$ 0.90/Mcf               |
| Crude Oil (bbls/d)   | 10,033                  | 84%      | 4.95                            | \$ 1.35/bbl               |

## 2002/2003 HEDGING SUMMARY

For 2002, PrimeWest has 65% of its crude oil production after royalties and 68% of its natural gas production after royalties hedged with a combination of swaps, and option based instruments. As at March 13, 2002, the mark-to-market valuation (including year-to-date settlements) of these hedges totals \$31.1 million, \$4.4 million for crude oil and \$26.7 million for natural gas.

To March 13, 2002, PrimeWest has recorded a net gain of \$19.4 million on hedge contracts settled since the 2001 year end. This amount is included in the \$31.1 million figure above.

For 2003, PrimeWest has 26% of its crude oil production after royalties and 50% of its natural gas production after royalties hedged with a combination of swaps, and option based investments. As at the date of this report there is no material gain or loss on a mark-to-market valuation of these hedges.

## OPERATIONAL AND OTHER BUSINESS RISKS

PrimeWest is also exposed to a number of risks related to its activities within the oil and gas industry that also have an impact on the amount of cash available to unitholders. These risks, and the ways in which PrimeWest seeks to mitigate these risks include, but are not limited to:

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Risk:</i>           | Operational risk associated with the production of oil and gas – includes well operations, processing and the physical delivery of commodities to market.                                                                                                                                                                                                                                                                |
| <i>We mitigate by:</i> | Performing regular and proactive protective well, facility and pipeline maintenance supported by telemetry, physical inspection and diagnostic tools.                                                                                                                                                                                                                                                                    |
| <i>Risk:</i>           | Market risk related to the availability of transportation to market and potential disruption in delivery systems.                                                                                                                                                                                                                                                                                                        |
| <i>We mitigate by:</i> | Diversifying the transportation systems on which we rely to get our product to market.                                                                                                                                                                                                                                                                                                                                   |
| <i>Risk:</i>           | Development risk associated with capital enhancement activities undertaken – the risk that capital spending on activities such as drilling, well completions, well workovers and other capital activities will not result in reserve additions or in quantities sufficient to replace annual production declines.                                                                                                        |
| <i>We mitigate by:</i> | Diversifying our capital spending program over a large number of projects so that too much capital is not risked on any one activity. We also have a highly skilled technical team of geologists, geophysicists and engineers working to apply the latest technology in planning and executing capital programs. Capital is spent only after strict economic criteria for production and reserve additions are assessed. |

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | As a royalty trust, we concentrate on acquiring large pool, mature and lower decline properties where high risk capital programs are not normally required to mitigate annual production declines.                                                                                                                                                                                                                                   |
| <i>Risk:</i>           | Acquisition risk associated with acquiring producing properties at low cost to renew our inventory of assets.                                                                                                                                                                                                                                                                                                                        |
| <i>We mitigate by:</i> | Continually scanning the marketplace for opportunities to acquire assets. Our technical acquisition specialists evaluate potential corporate or property acquisitions and identify areas for value enhancement through operational efficiencies or capital investment. All prospects are subjected to rigorous economic review against established acquisition and economic hurdle rates.                                            |
| <i>Risk:</i>           | Reserve risk in respect of the quantity and quality of recoverable reserves.                                                                                                                                                                                                                                                                                                                                                         |
| <i>We mitigate by:</i> | Contracting our reserves evaluation to a reputable third party consultant, Gilbert Laustsen Jung Associates Ltd. (GLJ). The work and independence of GLJ is reviewed by the Audit Committee of the Board of Directors of PrimeWest. Our strategy is to invest in mature, longer life properties having a higher proved producing component where the reserve risk is generally lower and cash flows are more stable and predictable. |
| <i>Risk:</i>           | Environmental, health and safety risks associated with oil and gas properties and facilities.                                                                                                                                                                                                                                                                                                                                        |
| <i>We mitigate by:</i> | Establishing and adhering to strict guidelines for EH&S including training, proper reporting of incidents, supervision and awareness. PrimeWest has active community involvement in field locations including regular meetings with stakeholders in the area. PrimeWest carries adequate insurance to cover property losses, liability and business interruption.                                                                    |
|                        | These risks are reviewed regularly by the Corporate Governance and Compensation Committee of the Board, which acts as PrimeWest's Environmental, Health and Safety Committee.                                                                                                                                                                                                                                                        |
| <i>Risk:</i>           | Changes in government regulations including reporting requirements, income tax laws, operating practices and environmental protection requirements.                                                                                                                                                                                                                                                                                  |
| <i>We mitigate by:</i> | Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations.                                                                                                                                                                                                                                                                          |



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# FINANCIAL

*statements & notes*

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of PrimeWest Energy Trust were prepared by, and are the responsibility of, the management of PrimeWest Management Inc. as agreed in the management agreement between PrimeWest, the manager, and the Trust. These statements have been prepared in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this annual report is consistent with that shown in the consolidated financial statements.

Management has designed and maintains a system of internal controls to safeguard assets and ensure that transactions are properly authorized and recorded and form part of these financial statements. Where estimates are used in the preparation of these financial statements, management has ensured that careful judgement has been made and that these estimates are reasonable, based on all information known at the time the estimates are made.

The Board of Directors of PrimeWest is responsible for ensuring that management fulfils its responsibilities for financial reporting, and it has reviewed and approved these financial statements. The Board carries out this responsibility through the audit committee, which consists of the independent directors of the Board.

The manager, acting on behalf of the unitholders, with approval of the Board of Directors, has appointed the external audit firm of PricewaterhouseCoopers LLP to express their opinion on the consolidated financial statements. The auditors have full and unrestricted access to the audit committee to discuss their findings.



**Kent J. MacIntyre**  
Vice-chairman and  
Chief Executive Officer



**Dennis G. Feuchuk**  
Vice-president,  
Finance and Chief  
Financial Officer

March 1, 2002

## AUDITORS' REPORT

To the unitholders of PrimeWest Energy Trust:

We have audited the consolidated balance sheets of PrimeWest Energy Trust as at December 31, 2001 and 2000, and the consolidated statements of income, cash distributions, unitholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Trust. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



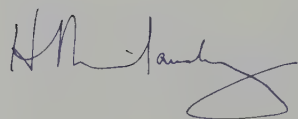
**PricewaterhouseCoopers LLP**  
Chartered Accountants  
Calgary, Alberta

March 1, 2002



## CONSOLIDATED BALANCE SHEETS

| As at December 31 (\$ thousands)           |           | 2001                | 2000              |
|--------------------------------------------|-----------|---------------------|-------------------|
| <b>ASSETS</b>                              |           |                     |                   |
| Current Assets                             |           |                     |                   |
| Accounts Receivable                        |           | \$ 55,465           | \$ 35,064         |
| Prepaid Expenses and Inventory             |           | 11,200              | 3,400             |
|                                            |           | <u>66,665</u>       | <u>38,464</u>     |
| Cash Reserved for Site                     |           |                     |                   |
| Restoration and Reclamation                | (Note 6)  | 755                 | 398               |
| Capital Assets                             | (Note 3)  | 1,448,661           | 395,376           |
|                                            |           | <u>\$ 1,516,081</u> | <u>\$ 434,238</u> |
| <b>LIABILITIES AND UNITHOLDERS' EQUITY</b> |           |                     |                   |
| Current Liabilities                        |           |                     |                   |
| Bank Overdraft                             |           | \$ 14,613           | \$ 834            |
| Accounts Payable & Accrued Liabilities     |           | 59,944              | 25,776            |
| Accrued Distributions to Unitholders       |           | 11,980              | 9,961             |
| Due to Related Company                     | (Note 9)  | 10,527              | 2,057             |
| Current Portion of Long-term Debt          | (Note 5)  | 67                  | 106               |
|                                            |           | <u>\$ 97,131</u>    | <u>\$ 38,734</u>  |
| Long-term Debt                             |           |                     |                   |
|                                            | (Note 5)  | 195,000             | 78,940            |
| Future Income Taxes                        | (Note 10) | 362,595             | 16,596            |
| Long-term Incentive Liability              | (Note 8)  | 7,932               | 8,930             |
| Site Restoration and Reclamation Provision |           | 6,113               | 1,958             |
|                                            |           | <u>\$ 668,771</u>   | <u>\$ 145,158</u> |
| Unitholders' Equity                        |           |                     |                   |
| Net Capital Contributions                  | (Note 7)  | 1,152,551           | 435,342           |
| Accumulated Income                         |           | 122,550             | 43,014            |
| Accumulated Cash Distributions             |           | (420,983)           | (186,518)         |
| Accumulated Dividends                      |           | (6,808)             | (2,758)           |
|                                            |           | <u>847,310</u>      | <u>289,080</u>    |
|                                            |           | <u>\$ 1,516,081</u> | <u>\$ 434,238</u> |
| Commitments and Contingencies              | (Note 12) |                     |                   |



Harold P. Milavsky  
Chairman of the Board of Directors



Kent J. MacIntyre  
Vice-chairman and Chief Executive Officer

CONSOLIDATED STATEMENTS OF  
UNITHOLDERS' EQUITY

| <i>For the Years Ended December 31 (\$ thousands)</i>                                                              | 2001       | 2000       |
|--------------------------------------------------------------------------------------------------------------------|------------|------------|
| Unitholders' Equity - Beginning of Year,<br>as previously reported                                                 | \$ 289,080 | \$ 200,039 |
| Adjustment to Unitholders' Equity at the<br>Beginning of Year to Adopt New Future<br>Income Tax Standard (Note 10) | -          | (10,219)   |
| Net Income for the Year                                                                                            | 79,536     | 55,612     |
| Capital Contributions, Net of Costs                                                                                | 717,209    | 124,293    |
| Cash Distributions                                                                                                 | (234,465)  | (79,033)   |
| Dividends                                                                                                          | (4,050)    | (1,612)    |
| Unitholders' Equity - End of Year                                                                                  | \$ 847,310 | \$ 289,080 |



## CONSOLIDATED STATEMENTS OF INCOME

| <i>For the Years Ended December 31 (\$ thousands except per unit amounts)</i> | 2001             | 2000             |
|-------------------------------------------------------------------------------|------------------|------------------|
| REVENUES                                                                      |                  |                  |
| Sales of Crude Oil, Natural Gas & Natural Gas Liquids                         | \$ 378,155       | \$ 191,339       |
| Crown & Other Royalties, Net of ARTC                                          | (73,156)         | (35,157)         |
| Other Income                                                                  | 1,516            | 379              |
|                                                                               | <u>306,515</u>   | <u>156,561</u>   |
| EXPENSES                                                                      |                  |                  |
| Operating                                                                     | 58,951           | 30,174           |
| Cash General & Administrative                                                 | 10,394           | 4,140            |
| Non-Cash General & Administrative                                             | 4,158            | 10,296           |
| Interest                                                                      | 13,800           | 6,359            |
| Cash Management Fees                                                          | 6,431            | 3,277            |
| Non-Cash Management Fees                                                      | 1,819            | 731              |
| Depletion, Depreciation & Amortization                                        | 159,332          | 42,865           |
|                                                                               | <u>254,885</u>   | <u>97,842</u>    |
| Net Income Before Taxes                                                       | <u>51,630</u>    | <u>58,719</u>    |
| Capital Taxes                                                                 | 2,428            | 549              |
| Future Taxes                                                                  | (30,334)         | 2,558            |
|                                                                               | <u>(27,906)</u>  | <u>3,107</u>     |
| Net Income for the Year                                                       | <u>\$ 79,536</u> | <u>\$ 55,612</u> |
| Net Income per Trust Unit                                                     |                  |                  |
| Basic                                                                         | \$ 0.78          | \$ 1.25          |
| Diluted                                                                       | \$ 0.77          | \$ 1.21          |

## CONSOLIDATED STATEMENTS OF CASH DISTRIBUTIONS

| <i>For the Years Ended December 31 (\$ thousands except per unit amounts)</i> | 2001              | 2000             |
|-------------------------------------------------------------------------------|-------------------|------------------|
| Net Income for the Year                                                       | \$ 79,536         | \$ 55,612        |
| Add Back (Deduct)                                                             |                   |                  |
| Depletion, Depreciation & Amortization                                        | 159,332           | 42,865           |
| Decrease in (Increase to) Reserve                                             | 25,822            | (29,266)         |
| Contribution to Reclamation Fund                                              | (3,499)           | (2,964)          |
| Management Fees Paid by the Issuance of Trust Units                           | 1,819             | 731              |
| Employee Long Term Incentive Plan                                             | 4,158             | 10,296           |
| Future Income Taxes                                                           | (30,334)          | 2,558            |
|                                                                               | <u>157,298</u>    | <u>24,220</u>    |
|                                                                               | <u>\$ 236,834</u> | <u>\$ 79,832</u> |
| Cash Distributions to Trust Unitholders (99%)                                 | <u>\$ 234,465</u> | <u>\$ 79,033</u> |
| Cash Distributions per Trust Unit                                             | <u>\$ 2.31</u>    | <u>\$ 1.77</u>   |

# CONSOLIDATED STATEMENTS OF CASH FLOW

| For the Years Ended December 31 (\$ thousands)          | 2001               | 2000            |
|---------------------------------------------------------|--------------------|-----------------|
| <b>OPERATING ACTIVITIES</b>                             |                    |                 |
| Net Income for the Year                                 | \$ 79,536          | \$ 55,612       |
| Add: Items Not Involving Cash                           |                    |                 |
| Flow from Operations                                    |                    |                 |
| Depletion, Depreciation & Amortization                  | 159,332            | 42,865          |
| Non-Cash General and Administrative                     | 4,158              | 10,296          |
| Non-Cash Management Fees                                | 1,819              | 731             |
| Future Income Taxes                                     | (30,334)           | 2,558           |
| Cash Flow from Operations                               | 214,511            | 112,062         |
| Change in Non-Cash Working Capital                      | (8,369)            | (7,599)         |
|                                                         | <u>206,142</u>     | <u>104,463</u>  |
| <b>FINANCING ACTIVITIES</b>                             |                    |                 |
| Proceeds from Issue of Trust Units, Net of Costs        | 156,221            | 39,896          |
| Acquisition of Trust Units pursuant to                  |                    |                 |
| Normal Course Issuer Bid                                | —                  | (926)           |
| Cash Distributions to Unitholders                       | (220,337)          | (79,033)        |
| Dividends Paid                                          | (602)              | (1,612)         |
| Decrease in Long-Term Debt                              | (62,980)           | (41,449)        |
| Change in Non-Cash Working Capital                      | 2,019              | 6,291           |
|                                                         | <u>(125,679)</u>   | <u>(76,833)</u> |
| <b>INVESTING ACTIVITIES</b>                             |                    |                 |
| Expenditures on Capital Assets                          | (84,206)           | (25,791)        |
| Acquisition of Capital/Corporate Assets (Note 4)        | (84,054)           | (6,306)         |
| Proceeds on Disposition of Capital Assets               | 78,144             | 855             |
| Cash Reserved for Future Site Restoration & Reclamation | (357)              | 661             |
| Expenditures on Site Restoration & Reclamation          | (3,769)            | (3,561)         |
| Proceeds on Disposition of Short Term Investments       | —                  | 174             |
|                                                         | <u>(94,242)</u>    | <u>(33,968)</u> |
| Decrease in Cash for the Year                           | (13,779)           | (6,338)         |
| Bank Overdraft, Beginning of Year                       | (834)              | 5,504           |
| Bank Overdraft, End of Year                             | <u>\$ (14,613)</u> | <u>\$ (834)</u> |
| Cash Interest Paid                                      | \$ 13,159          | \$ 6,872        |
| Cash Taxes Paid                                         | <u>\$ 460</u>      | <u>\$ 453</u>   |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(all amounts are expressed in thousands of Canadian dollars unless otherwise indicated)*

### 1. STRUCTURE OF THE TRUST

PrimeWest Energy Trust (the Trust) is an open-ended investment trust formed under the laws of Alberta in accordance with a declaration of trust dated August 2, 1996. The beneficiaries of the Trust are the holders of Trust Units (the unitholders). The Trust owns a royalty entitling it to receive 99% of the net cash flows generated by its subsidiary PrimeWest Oil & Gas Corp. (referred to as Oil & Gas Corp.) and by its subsidiary PrimeWest Energy Inc., and its wholly-owned subsidiaries PrimeWest Resources Ltd. and PrimeWest Royalty Corp. from its oil and gas properties (collectively referred to as Energy Inc.).

Oil & Gas Corp. and Energy Inc. (PrimeWest) acquire oil and gas properties, and sell a royalty on the net cash flow from these properties to the Trust. The royalty acquired by the Trust effectively transfers substantially all of the economic interest in the properties to the Trust.

Effective January 1, 2002, Oil & Gas Corp. and Energy Inc. and its subsidiaries amalgamated and were continued as PrimeWest Energy Inc. Subsequent to the amalgamation, the common shares of PrimeWest Energy Inc. are 89% owned by the Trust and 11% by PrimeWest Management Inc.

Pursuant to management agreements between Oil & Gas Corp., Energy Inc., the Trust and PrimeWest Management Inc. (the Manager), the Manager is responsible for the administration of the Trust, the management of the business affairs of Oil & Gas Corp. and Energy Inc. and the operation of the oil and gas properties. The Manager receives reimbursement for all of its costs associated with these services as well as management fees from the Trust and PrimeWest for its services (see Note 9). The Manager owns 11% of the shares of PrimeWest Energy Inc., and a director of PrimeWest Energy Inc. controls the Manager.

### 2. ACCOUNTING POLICIES

#### CONSOLIDATION

These consolidated financial statements include the accounts of the Trust and PrimeWest. The Trust owns 89% of the shares of PrimeWest (as of January 1, 2002). The Trust, through the royalty, obtains substantially all of the economic benefits of the operations of PrimeWest. In addition, the unitholders of the Trust elect the majority of the Board of Directors of PrimeWest. The accounts of the Manager are not included in these financial statements.

#### CAPITAL ASSETS

PrimeWest follows the full cost method of accounting. All costs of acquiring oil and gas properties and related development costs are capitalized and accumulated in one cost centre. Maintenance and repairs are charged against earnings. Renewals and enhancements that extend the economic life of the capital asset are capitalized.

Gains and losses are not recognized on disposition of oil and gas properties unless that disposition would alter the rate of depletion by 20% or more.

#### *i) Ceiling test*

PrimeWest places a limit on the aggregate cost of capital assets which may be carried forward for depletion against net revenues of future periods (the ceiling test). The ceiling test is a cost-recovery test whereby: capitalized costs, less accumulated depletion and site restoration and the lower of cost and market value of unproved land, are limited to an amount equal to estimated

undiscounted future net revenues from proved reserves, less general and administrative expenses, site restoration, management fees, future financing costs and applicable income taxes. Costs and prices at the balance sheet date are used. Any costs carried on the balance sheet in excess of the ceiling test limitation are charged to income.

*ii) Site restoration and reclamation provision*

PrimeWest provides for the cost of future site restoration and reclamation, based on estimates by management, using the unit-of-production method. Actual site-restoration costs are charged against the accumulated liability. PrimeWest places cash in reserve to fund actual expenditures as they are incurred (see Note 6).

*iii) Depletion, depreciation and amortization*

Provision for depletion and depreciation is calculated on the unit-of-production method, based on proved reserves before royalties. Reserves are estimated by independent petroleum engineers. Reserves are converted to equivalent units on the basis of approximate relative energy content.

Depreciation and amortization of head office furniture and equipment is provided for at rates ranging from 10% to 30%.

JOINT VENTURE ACCOUNTING

PrimeWest conducts substantially all of its oil and gas production activities through joint ventures, and the accounts reflect only PrimeWest's proportionate interest in such activities.

LONG-TERM INCENTIVE PLAN

Liabilities under the Trust's Long-term Incentive Plan are estimated at each balance sheet date, based on the amount of vested Unit Appreciation Rights that are in the money using the unit price as at that date. Liabilities are recorded through non-cash general and administrative costs, with an offsetting amount in accrued liabilities. As Trust Units are issued under the plan, the exercise value is recorded in unitholders' equity.

INCOME TAXES

The Trust is an inter-vivos trust for income tax purposes. As such, the Trust is subject to tax on any taxable income that is not allocated to the unitholders.

Periodically, current taxes may be payable by PrimeWest, depending upon the timing of income tax deductions. Should these taxes prove to be unrecoverable, they will be deducted from royalty income in accordance with the royalty agreement.

Future income taxes are recorded for PrimeWest using the liability method of accounting. Future income taxes are recorded to the extent that the carrying value of PrimeWest's capital assets exceeds the available tax pools (see Note 10).

FINANCIAL INSTRUMENTS

PrimeWest uses financial instruments to manage its exposure to fluctuations in commodity prices, foreign currency exchange rates, and interest rates. PrimeWest does not use financial instruments for speculative trading purposes and, accordingly, they are accounted for as hedges. Gains and losses on hedging activity are reflected in revenue, or in the case of interest rate hedges, in interest expense, at the time of sale of the related hedged production, or when the monthly exchange contracts expire.



MEASUREMENT UNCERTAINTY

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on PrimeWest’s best information and judgement. Such amounts are not expected to change materially in the near term. They include:

- the amounts recorded for depletion, depreciation and future site restoration costs which depend on estimates of oil and gas reserves or the economic lives and future cash flows from related assets.
- the amounts recorded for assets and liabilities of acquired companies which depend on estimates of their fair values on the acquisition date.

CASH AND SHORT TERM INVESTMENTS

Short term investments with maturities less than three months are considered to be cash equivalents and are recorded at cost, which approximates market value.

3. CAPITAL ASSETS

|                                         | 2001         |                                                      |                | 2000       |                                                      |                |
|-----------------------------------------|--------------|------------------------------------------------------|----------------|------------|------------------------------------------------------|----------------|
|                                         | Cost         | Accumulated depletion, depreciation and amortization | Net book value | Cost       | Accumulated depletion, depreciation and amortization | Net book value |
| Property acquisition oil and gas rights | \$ 1,608,435 | \$ (268,137)                                         | \$ 1,340,298   | \$ 474,091 | \$ (135,256)                                         | \$ 338,835     |
| Drilling and completion                 | 103,583      | (24,074)                                             | 79,509         | 51,769     | (10,216)                                             | 41,553         |
| Production facilities and equipment     | 38,198       | (11,537)                                             | 26,661         | 16,397     | (3,249)                                              | 13,148         |
| Head office furniture and equipment     | 4,238        | (2,045)                                              | 2,193          | 3,199      | (1,359)                                              | 1,840          |
|                                         | \$ 1,754,454 | \$ (305,793)                                         | \$ 1,448,661   | \$ 545,456 | \$ (150,080)                                         | \$ 395,376     |

Unproved land costs of \$55.7 million (2000 - \$17.2 million) are excluded from costs subject to depletion and depreciation.

PrimeWest capitalized \$2.2 million of general and administrative costs in 2001 (\$0.9 million in 2000).

In accordance with stated accounting policies, PrimeWest has performed a ceiling test using commodity prices as at the measurement date of December 31, 2001. Using December 31, 2001 commodity prices of AECO \$3.67 per Mcf for natural gas and WTI \$US 19.84 per barrel for crude oil, the ceiling test results in a deficiency of \$150 million.

PrimeWest is not required to account for any ceiling test impairment, that is not permanent, within the first two years of the Cypress acquisition, therefore no writedown is reflected in the 2001 financial statements.

#### 4. CORPORATE ACQUISITIONS

a) On March 29, 2001, PrimeWest Oil & Gas Corp. (“Oil & Gas”) completed the acquisition of all of the issued and outstanding shares of Cypress Energy Inc. (“Cypress”) pursuant to a takeover bid. In aggregate, PrimeWest issued 50.2 million Trust Units, 5.2 million exchangeable shares of Oil & Gas and paid \$59.2 million in exchange for the shares of Cypress. Subsequent to the transaction, Cypress and Oil & Gas were amalgamated. The acquisition was accounted for using the purchase method of accounting with net assets acquired and consideration paid as follows:

| NET ASSETS ACQUIRED AT ASSIGNED VALUES |              | CONSIDERATION PAID                |            |
|----------------------------------------|--------------|-----------------------------------|------------|
| Petroleum and natural gas assets       | \$ 1,201,485 |                                   |            |
| Working capital (deficit) assumed      | (19,174)     | Cash                              | \$ 59,235  |
| Long-term debt assumed                 | (179,000)    | Trust Units issued                | 489,815    |
| Site restoration provision             | (4,307)      | Exchangeable shares issued        | 50,254     |
| Future income taxes                    | (376,334)    | Costs associated with acquisition | 23,366     |
|                                        | \$ 622,670   |                                   | \$ 622,670 |

b) On April 19, 2000, PrimeWest Resources Ltd. (“Resources”) completed the acquisition of all of the issued and outstanding shares of Venator Petroleum Company Limited (“Venator”) on a unit/share for share exchange. Resources issued 0.657 Trust Units or 0.657 exchangeable shares for each Venator share. In aggregate, 2.4 million Trust Units and 2.0 million exchangeable shares were issued for total consideration, including debt assumed, of \$32.5 million. Subsequent to the transaction, the assets of Venator were transferred to Resources and Venator was dissolved. The acquisition was accounted for using the purchase method of accounting with the purchase price allocated as follows:

| NET ASSETS ACQUIRED AT ASSIGNED VALUES |           | CONSIDERATION PAID                |           |
|----------------------------------------|-----------|-----------------------------------|-----------|
| Petroleum and natural gas assets       | \$ 34,392 | Trust Units issued                | \$ 15,637 |
| Working capital (deficit) assumed      | (2,323)   | Exchangeable shares issued        | 13,282    |
| Future income taxes                    | (1,898)   | Costs associated with acquisition | 1,252     |
|                                        | \$ 30,171 |                                   | \$ 30,171 |

c) On July 27, 2000, PrimeWest Royalty Corp. (“Royalty Corp.”) completed the acquisition of all of the issued and outstanding shares of Reserve Royalty Corporation on a unit for share exchange. Royalty Corp. issued 0.65 Trust Units for each Reserve Royalty share. In aggregate, 6.67 million Trust Units were issued for total consideration, including debt assumed, of \$84.0 million. Subsequent to the transaction, Reserve Royalty was amalgamated into Royalty Corp. and the majority of its assets transferred to the Trust. The acquisition was accounted for using the purchase method of accounting with the purchase price allocated as follows:

| NET ASSETS ACQUIRED AT ASSIGNED VALUES |           | CONSIDERATION PAID                |           |
|----------------------------------------|-----------|-----------------------------------|-----------|
| Petroleum and natural gas assets       | \$ 85,860 |                                   |           |
| Working capital assumed                | 1,049     |                                   |           |
| Long term debt assumed                 | (28,210)  | Trust Units issued                | \$ 53,947 |
| Future income taxes                    | (1,921)   | Costs associated with acquisition | 2,831     |
|                                        | \$ 56,778 |                                   | \$ 56,778 |



## 5. LONG-TERM DEBT

|                           | 2001       | 2000      |
|---------------------------|------------|-----------|
| Revolving credit facility | \$ 195,000 | \$ 78,879 |
| Capital lease obligation  | —          | 61        |
|                           | 195,000    | 78,940    |
| Current portion           | 67         | 106       |
|                           | \$ 195,067 | \$ 79,046 |

PrimeWest and the Trust (as co-borrowers) have a combined revolving credit facility in the amount of \$350 million (2000 - \$150 million), with a borrowing base at December 31, 2001 of \$350 million (2000 - \$150 million). The facility consists of a revolving term loan of \$325 million and an operating facility of \$25 million. In addition to amounts outstanding under the facility as indicated in the table above, PrimeWest has outstanding letters of credit in the amount of \$2.8 million (2000 - \$4.3 million). Collateral for the credit facility is provided by a floating-charge debenture covering all existing and after acquired property in the principal amount of \$500 million. Each borrower under the facility has also provided an unconditional full liability guarantee in respect of amounts borrowed under the facility.

Advances under the facility are made in the form of Banker's Acceptances (BAs), prime rate loans or letters of credit. In the case of BA's, interest is a function of the BA rate plus a stamping fee based on the Trust's current ratio of debt to cash flow. In the case of prime rate loans, interest is charged at the bank's prime rate.

The credit facility revolves until May 31, 2002, by which time the lender will have conducted its annual borrowing base review. The lender also has the right to re-determine the borrowing base at one other time during the year. During the revolving phase, the facility has no specific terms of repayment. At the end of the revolving period, the lender has the right to extend the revolving period for a further 364-day period or to convert the facility to a term facility. If the lender converts to a non-revolving facility, the amounts outstanding under the facility become repayable over a three-year period, on a unit of production basis.

## 6. CASH RESERVE FOR SITE RESTORATION AND RECLAMATION

Commencing in 1998, funding for the reserve was provided for by reducing distributions otherwise payable based on an amount per BOE produced (\$0.15 per BOE produced for 1998 and 1999, \$0.24 per BOE produced in 2000 and \$0.32 per BOE produced in 2001). The cash amount contributed, including interest earned, was \$4.2 million in 2001 (2000 - \$3.0 million). Actual costs of site restoration and abandonment totaling \$3.8 million were paid out of this cash reserve for the year ended December 31, 2001 (2000 - \$3.6 million).

## 7. UNITHOLDERS' EQUITY

### PRIMEWEST ENERGY TRUST

The authorized capital of the Trust consists of an unlimited number of Trust Units (\$000's).

| Trust Units                                       | Number of<br>Units | Amounts      |
|---------------------------------------------------|--------------------|--------------|
| Balance, December 31, 1999                        | 35,768,801         | \$ 311,049   |
| Issued for cash                                   | 4,830,000          | 40,331       |
| Issue expenses                                    | —                  | (2,741)      |
| Retired pursuant to Normal Course Issuer Bid      | (141,900)          | (926)        |
| Issued to acquire Venator Petroleum Company Ltd.  | 2,368,936          | 15,637       |
| Issued to acquire Reserve Royalty Corporation     | 6,660,082          | 53,947       |
| Issued for payment of management fees             | 82,203             | 616          |
| Issued on exchange of exchangeable shares         | 922,073            | 5,940        |
| Issued pursuant to Distribution Reinvestment Plan | 265,475            | 2,307        |
| Issued pursuant to Long-term Incentive Plan       | 226,423            | 1,841        |
| Balance, December 31, 2000                        | 50,982,093         | \$ 428,001   |
| Issued for cash                                   | 19,790,000         | \$ 165,234   |
| Issue expenses                                    | —                  | (9,013)      |
| Issued to acquire Cypress Energy Inc.             | 50,234,771         | 489,815      |
| Issued for payment of management fees             | 199,841            | 1,635        |
| Issued on exchange of exchangeable shares         | 2,415,363          | 20,298       |
| Issued pursuant to Distribution Reinvestment Plan | 1,765,699          | 14,128       |
| Issued pursuant to Long-term Incentive Plan       | 577,840            | 5,155        |
| Balance, December 31, 2001                        | 125,965,607        | \$ 1,115,253 |

The weighted average number of Trust Units and exchangeable shares outstanding in 2001 was 102,533,000 (2000 - 44,651,600). For purposes of calculating diluted net income per Trust Unit, 1,247,154 Trust Units (2000 - 998,065) issuable pursuant to the long-term incentive plan were added to the weighted average number. The per unit cash distribution amounts paid or declared reflects distributions paid or declared to Trust Units outstanding on the record dates.

### PRIMEWEST OIL & GAS CORP.

In connection with the Cypress transaction (see note 4a), PrimeWest Oil & Gas Corp. amended its articles to create an unlimited number of exchangeable shares. The exchangeable shares are exchangeable into PrimeWest Trust Units at any time up to March 29, 2003, based on an exchange ratio that adjusts each time the Trust makes distribution to its unitholders. The exchange ratio, which was 1:1 on the date that the transaction closed, is based on the total monthly distribution, divided by the closing unit price on the distribution payment date. The exchange ratio on December 31, 2001 was 1.25020:1.



| Exchangeable Shares                   | Number of<br>Units | Amounts   |
|---------------------------------------|--------------------|-----------|
| Balance, December 31, 2000            | —                  | —         |
| Issued to acquire Cypress Energy Inc. | 5,154,225          | \$ 50,254 |
| Exchanged for Trust Units             | (1,837,483)        | (17,916)  |
| Balance, December 31, 2001            | 3,316,742          | \$ 32,338 |

## PRIMEWEST RESOURCES LTD.

In connection with the Venator transaction (see note 4b), PrimeWest Resources Ltd. amended its articles to create an unlimited number of exchangeable shares. The exchangeable shares are exchangeable into Trust Units at any time up to 5 years after issuance, based on an exchange ratio that adjusts each time PrimeWest makes a distribution to its unitholders. In certain circumstances, PrimeWest has the right to force redemption prior to the 5 year expiry term. Up until April 30, 2001, dividends were paid to holders of exchangeable shares based on the estimated taxable portion of the monthly distribution paid. The exchange ratio, which was 1:1 on the closing date of the Venator transaction, is based on the total monthly distribution paid less the dividend paid divided by the closing Trust Unit price on the distribution payment date. After May 1, 2001 dividends were no longer paid. The exchange ratio at December 31, 2001 was 1.36806:1.

| Exchangeable Shares                              | Number of<br>Units | Amounts   |
|--------------------------------------------------|--------------------|-----------|
| Balance, December 31, 1999                       | —                  | —         |
| Issued to acquire Venator Petroleum Company Ltd. | 2,012,422          | \$ 13,282 |
| Exchanged for Trust Units                        | (900,052)          | (5,940)   |
| Balance, December 31, 2000                       | 1,112,370          | 7,342     |
| Exchanged for Trust Units                        | (360,838)          | (2,382)   |
| Balance, December 31, 2001                       | 751,532            | \$ 4,960  |

## NORMAL COURSE ISSUER BID

On November 29, 1999, the Trust received approval from the Toronto Stock Exchange to make a normal course issuer bid. During 2000, the Trust acquired 141,900 Trust Units pursuant to the bid at an average cost of \$6.53 per Trust Unit. This bid expired on November 29, 2000. On December 15, 2000, the Trust received approval from the Toronto Stock Exchange to renew its bid for a further one year period. During 2001, no purchases were made under the renewed bid. This bid expired on December 15, 2001.

## UNITS ISSUED FOR PAYMENT OF MANAGEMENT FEES

Trust Units are issued to the Manager as payment for management fees earned throughout the year. During 2001, 239,471 Trust Units were earned by the Manager. The Trust Units earned for the period October 1, 2001 to December 31, 2001 of 65,834 (2000 - 26,204) were issued from treasury on January 15, 2002. The value of the units was \$418,704 (2000 - \$234,526).

| Trust Units and Exchangeable Shares Issued & Outstanding           | 2001        | 2000       |
|--------------------------------------------------------------------|-------------|------------|
| Trust Units issued & outstanding                                   | 125,965,607 | 50,982,093 |
| Exchangeable shares                                                |             |            |
| PrimeWest Resources Ltd. <sup>(1)</sup>                            |             |            |
| (751,532 shares exchangeable at 1.36806,                           | 1,028,141   | 1,216,154  |
| 2000 - 1,112,370 exchangeable at 1.0933)                           |             |            |
| PrimeWest Oil and Gas Corp. <sup>(1)</sup>                         |             |            |
| (3,316,742 shares exchangeable at 1.25020)                         | 4,146,591   | —          |
| Total units and exchangeable shares issued & outstanding           | 131,140,339 | 52,198,247 |
| Unit appreciation rights                                           | 1,247,154   | 998,065    |
| Total units and exchangeable shares issued & outstanding - diluted | 132,387,493 | 53,196,312 |

(1) Amalgamated with PrimeWest Energy Inc. effective January 1, 2002

## 8. TRUST UNIT INCENTIVE PLAN

Under the terms of the Trust Unit Incentive Plan, a maximum of 2.49 million Trust Units are reserved for issuance pursuant to the exercise of Unit Appreciation Rights (UARs) granted to employees of the Manager. Payouts under the plan are based on total unitholder return, calculated using both the change in the Trust Unit price as well as cumulative distributions paid. The plan requires that a hurdle return of 5% per annum be achieved before payouts accrue. UARs have a term of 6 years and vest equally over a 3-year period, except for the independent members of the Board, whose UARs vest immediately. The Board of Directors has the option of settling payouts under the plan in PrimeWest Trust Units or in cash. To date, all payouts under the plan have been in the form of Trust Units.

| As at December 31, 2001<br>Year of Grant | UARs<br>issued &<br>outstanding | UARs<br>vested | Current<br>return per<br>"in the<br>money"<br>UARs | Total<br>liability<br>'000 | Trust<br>unit<br>dilution |
|------------------------------------------|---------------------------------|----------------|----------------------------------------------------|----------------------------|---------------------------|
| 1996                                     | 526,875                         | 526,875        | \$ 3.96                                            | \$ 2,086                   | 328,039                   |
| 1997                                     | 319,354                         | 319,354        | 3.44                                               | 1,098                      | 172,658                   |
| 1998                                     | 511,826                         | 511,826        | 6.20                                               | 3,171                      | 498,615                   |
| 1999                                     | 593,662                         | 358,266        | 3.69                                               | 1,323                      | 208,101                   |
| 2000                                     | 963,655                         | 347,802        | 0.73                                               | 254                        | 39,741                    |
| 2001                                     | 2,517,374                       | 100,847        | —                                                  | —                          | —                         |
| Total                                    | 5,432,746                       | 2,164,970      | \$ 3.66                                            | \$ 7,932                   | 1,247,154                 |

| As at December 31, 2000<br>Year of Grant | UARs<br>issued &<br>outstanding | UARs<br>vested | Current<br>return per<br>"in the<br>money"<br>UARs | Total<br>liability<br>'000 | Trust<br>unit<br>dilution |
|------------------------------------------|---------------------------------|----------------|----------------------------------------------------|----------------------------|---------------------------|
| 1996                                     | 543,875                         | 543,875        | \$ 5.24                                            | \$ 2,849                   | 318,431                   |
| 1997                                     | 377,806                         | 377,806        | 4.55                                               | 1,718                      | 192,042                   |
| 1998                                     | 647,549                         | 403,613        | 6.83                                               | 2,785                      | 311,176                   |
| 1999                                     | 1,014,418                       | 296,096        | 5.30                                               | 1,482                      | 165,637                   |
| 2000                                     | 1,369,490                       | 94,717         | 1.99                                               | 96                         | 10,779                    |
| Total                                    | 3,953,138                       | 1,716,107      | \$ 5.20                                            | \$ 8,930                   | 998,065                   |



Cumulative to December 31, 2001, 1,596,796 UARs have been exercised (2000 - 739,343), resulting in the issuance of 820,010 Trust Units from treasury (2000 - 242,170).

#### 9. RELATED-PARTY TRANSACTIONS

The Manager of PrimeWest receives a management fee of 2.5% of net production revenue as well as a quarterly allocation of Trust Units. For the year ended December 31, 2001, the Manager received management fees of \$8.3 million (2000 - \$4.0 million). Of this amount, \$6.4 million was paid in cash (2000 - \$3.3 million) and the balance represents the issuance of 239,471 Trust Units from Treasury (2000 - 90,411).

In addition to the fees above, the Manager is entitled to an acquisition fee representing 1.5% of capital spent on asset or corporate acquisitions and a disposition fee representing 1.25% of proceeds received from asset dispositions. Acquisition and disposition fees in the amount of \$13.0 million were paid to the Manager during 2001 (2000 - \$1.7 million). These fees were included in capital assets as part of the cost or net proceeds relating to oil and gas properties acquired or disposed.

The Manager also is entitled to receive a 1% retained royalty based on the net cash flow from operations and the proceeds from property dispositions. The royalty is paid by a dividend from PrimeWest. The dividend was \$3.4 million for 2001 (2000 - \$0.8 million).

As at December 31, 2001, the Trust and PrimeWest owed \$10.5 million (2000 - \$2.1 million) to the Manager for unpaid management and other fees and reimbursement of general and administrative costs.

#### 10. INCOME TAXES

The Trust, and consequently the unitholders of the Trust, had taxable income totaling \$155.8 million for 2001 representing approximately 67.2% of distributions paid in the year (2000 - \$38.3 million representing 53%).

PrimeWest and its subsidiaries had no taxable income for 2001 and 2000, as tax-pool deductions and the royalty payable were sufficient to reduce taxable income in these entities to nil.

Effective January 1, 2000, the Company changed the method of accounting for income taxes from the deferral method to the liability method. The new method was applied retroactively without restatement of prior periods. The effect of the change in accounting policy on the financial statements was to decrease unitholders' equity by \$10.2 million with a corresponding increase in the provision for future income tax liabilities on the balance sheet. The effect on the provision for income taxes for the current year as a result of this change in accounting policy was to decrease future income tax expense/liability by \$30.3 million (2000 increase by \$2.6 million). The future income tax provision results from the carrying value of the capital assets exceeding the available tax pools.

The future tax provision results from temporary differences in the recognition of revenues and expenses for income taxes and accounting purposes as follows:

|                               | 2001              | 2000             |
|-------------------------------|-------------------|------------------|
| Loss carry forwards           | \$ (10,601)       | \$ –             |
| Capital assets                | 378,015           | 21,455           |
| Site restoration provision    | (2,283)           | (874)            |
| Long term incentive liability | (2,536)           | \$ (3,985)       |
|                               | <u>\$ 362,595</u> | <u>\$ 16,596</u> |

The provisions for income taxes varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rates for the following reasons:

|                                                                | 2001               | 2000            |
|----------------------------------------------------------------|--------------------|-----------------|
| Net income before taxes                                        | \$ 51,630          | \$ 58,719       |
| Computed income tax expense at the                             |                    |                 |
| Canadian statutory rate of 43.12% (2000 - 44.62%)              | 22,263             | 26,200          |
| Increase (decrease) resulting from:                            |                    |                 |
| Non-deductible crown royalties and other payments, net of ARTC | 273                | 157             |
| Federal resource allowance                                     | (9,729)            | (1,447)         |
| Amounts included in trust income and other                     | (43,141)           | (22,352)        |
| Future income taxes                                            | <u>\$ (30,334)</u> | <u>\$ 2,558</u> |

## 11. FINANCIAL INSTRUMENTS

### A) COMMODITY PRICE RISK MANAGEMENT

PrimeWest generally sells its oil and gas under short-term market-based contracts. Occasionally, derivative financial instruments, options and swaps may be used to hedge the impact of oil and gas price fluctuations.

A summary of these contracts in place as well as the mark-to-market position at December 31, 2001 follows:

#### CRUDE OIL

| Period                       | Volume<br>(bbl/d) | Type   | Price<br>(\$US/bbl) | Mark-to-<br>Market<br>Gain (Loss)<br>\$ millions |
|------------------------------|-------------------|--------|---------------------|--------------------------------------------------|
| January 2002 - June 2002     | 1,000             | Swap   | \$25.14             | 1.4                                              |
| January 2002 - June 2002     | 1,000             | Swap   | \$25.50             | 1.5                                              |
| January 2002 - December 2002 | 1,000             | Swap   | \$24.58             | 2.4                                              |
| January 2002 - March 2002    | 2,000             | Swap   | \$27.37             | 2.1                                              |
| April 2002 - June 2002       | 2,000             | Swap   | \$26.23             | 1.7                                              |
| July 2002 - September 2002   | 2,000             | Swap   | \$25.22             | 1.3                                              |
| October 2002 - December 2002 | 2,000             | Swap   | \$24.45             | 1.1                                              |
| January 2002 - December 2002 | 1,000             | Collar | \$20.00 by \$25.15  | –                                                |
| Total                        |                   |        |                     | <u>11.5</u>                                      |



## NATURAL GAS

| Period                      | Volume<br>mmcf/d | Type        | Price<br>(\$Cdn./mcf)   | Mark-to-<br>Market Gain<br>\$ millions |
|-----------------------------|------------------|-------------|-------------------------|----------------------------------------|
| January 2002 - March 2002   | 4.7              | Fixed price | \$7.88                  | 1.9                                    |
| January 2002 - March 2002   | 23.7             | Swap        | \$7.12                  | 7.7                                    |
| January 2002 - March 2002   | 23.7             | Swap        | \$7.12                  | 7.7                                    |
| April 2002 - October 2002   | 4.7              | Fixed price | \$6.50                  | 3.0                                    |
| April 2002 - October 2002   | 19.0             | Swap        | \$5.28                  | 7.0                                    |
| April 2002 - October 2002   | 9.5              | Swap        | \$5.28                  | 3.5                                    |
| April 2002 - October 2002   | 19.0             | Swap        | \$5.28                  | 7.0                                    |
| November 2002 - March 2003  | 4.7              | 3 Way       | \$3.17/\$4.48 by \$6.59 | -                                      |
| November 2002 - March 2003  | 4.7              | Collar      | \$4.22 by \$5.96        | -                                      |
| January 2002 - October 2003 | 4.7              | Fixed price | \$3.98                  | -                                      |
| January 2002 - October 2003 | 4.7              | Fixed price | \$4.17                  | 0.5                                    |
| April 2003 - October 2003   | 4.7              | Fixed price | \$4.75                  | 0.5                                    |
| April 2003 - October 2003   | 4.7              | 3 Way       | \$3.17/\$4.48 by \$6.26 | 0.2                                    |
| Total                       |                  |             |                         | 39.0                                   |

In 2001, the financial impact of contracts settling in the year was an increase in sales revenues of \$39.5 million (2000 - \$2.2 million decrease in sales revenues).

## B) INTEREST RATE RISK MANAGEMENT

During 2001, PrimeWest entered into two interest rate swaps, each on \$25 million of debt. The first is for a 2 year term, commencing December 4, 2001 and expiring December 4, 2003 at a fixed BA rate of 3.21%. The second is for at 2 1/2 year term, commencing November 26, 2001 and expiring May 26, 2004 at a fixed BA rate of 3.85%. The mark-to-market valuation of these swaps was a loss of \$0.3 million as at December 31, 2001.

In connection with the acquisition of Reserve Royalty, PrimeWest assumed the obligation under an interest rate swap on \$25 million of debt fixed at a BA rate of 6.48% until May, 2002. The counter-party has the option to extend the swap to May 2004. The effect of this swap was an increase in interest paid for 2001 of \$0.4 million (2000 - increase of \$0.07 million). The fair market value of this interest rate swap at December 31, 2001 was a loss of \$1.8 million (2000 - loss of \$0.9 million).

## C) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, accrued distributions to unitholders, long-term debt and financial hedges. As at December 31, 2001 and 2000, the fair market value of the financial instruments, other than long-term debt and financial hedges, approximate their carrying value, due to the short-term maturity of these instruments. The fair value of long-term debt approximates its carrying value, because the cost of borrowing approximates the market rate for similar borrowings.

## 12. COMMITMENTS AND CONTINGENCIES

PrimeWest has lease commitments relating to office buildings. The estimated annual minimum operating lease rental payments for the buildings, after deducting sublease income will be \$1.3 million in 2002, \$1.5 million in 2003, \$1.2 million in 2004, \$1.1 million in 2005, \$1.1 million in 2006 and \$2.4 million in 2007 - 2009, the remaining term of the leases.

PrimeWest is engaged in a number of matters of litigation, none of which could reasonably be expected to result in any material adverse consequence.

Supplementary Information

OPERATING HIGHLIGHTS

|                                                                                 | 2001     | 2000     | 1999     | 1998     | 1997     | 4 mos.<br>1996 |
|---------------------------------------------------------------------------------|----------|----------|----------|----------|----------|----------------|
| <b>DAILY SALES VOLUME</b>                                                       |          |          |          |          |          |                |
| Crude oil ( <i>barrels per day</i> )                                            | 10,033   | 6,582    | 5,958    | 5,868    | 3,737    | 3,372          |
| Natural gas liquids ( <i>barrels per day</i> )                                  | 2,273    | 1,483    | 1,293    | 1,226    | 1,137    | 993            |
| Natural gas ( <i>millions of cubic feet per day</i> )                           | 104.80   | 49.03    | 46.46    | 50.41    | 42.22    | 31.47          |
|                                                                                 | 29,774   | 16,237   | 14,995   | 15,497   | 11,913   | 9,610          |
| <b>AVERAGE SELLING PRICES</b>                                                   |          |          |          |          |          |                |
| Crude oil ( <i>dollars per barrel</i> )                                         | \$ 32.21 | \$ 36.67 | \$ 21.69 | \$ 16.92 | \$ 25.93 | \$ 30.93       |
| Natural gas liquids ( <i>dollars per barrel</i> )                               | \$ 30.96 | \$ 34.42 | \$ 19.09 | \$ 14.55 | \$ 22.65 | \$ 23.87       |
| Natural gas ( <i>dollars per thousand cubic feet</i> )                          | \$ 6.16  | \$ 4.65  | \$ 2.51  | \$ 1.83  | \$ 1.85  | \$ 1.59        |
| Total ( <i>dollars per barrel of oil equivalent</i> )                           | \$ 34.80 | \$ 32.19 | \$ 17.95 | \$ 13.58 | \$ 16.94 | \$ 18.64       |
| <b>ESTABLISHED RESERVES</b>                                                     |          |          |          |          |          |                |
| Crude oil ( <i>millions of barrels</i> )                                        | 28.5     | 24.4     | 20.0     | 21.7     | 15.3     | 12.6           |
| Natural gas liquids ( <i>millions of barrels</i> )                              | 9.5      | 6.4      | 6.1      | 6.5      | 6.7      | 4.5            |
| Natural gas ( <i>billions of cubic feet</i> )                                   | 413.7    | 232.7    | 224.0    | 243.5    | 227.3    | 191.0          |
| Total ( <i>millions of barrels of oil equivalent</i> )                          | 107.0    | 69.6     | 63.7     | 68.8     | 59.9     | 48.9           |
| <b>NET ASSET VALUE</b><br>( <i>millions of dollars, except per-trust-unit</i> ) |          |          |          |          |          |                |
| Established reserves ( <i>discounted at 10 percent pre-tax</i> )                | 872.6    | 623.0    | 328.0    | 313.0    | 298.0    | 226.6          |
| Hedging mark-to-market                                                          | 39.7     | (1.0)    | —        | —        | —        | —              |
| Unproved lands                                                                  | 55.7     | 17.2     | 10.2     | 10.6     | 8.4      | 2.3            |
| Other assets and working capital                                                | (29.7)   | 0.1      | 6.9      | 4.2      | 3.5      | 3.5            |
| Long-term debt                                                                  | (195.0)  | (78.9)   | (92.2)   | (73.0)   | (66.7)   | (14.2)         |
| Total net asset value                                                           | 743.3    | 560.4    | 252.9    | 254.8    | 243.2    | 218.2          |
| Per Trust Unit                                                                  | \$ 5.67  | \$ 10.73 | \$ 7.07  | \$ 7.72  | \$ 9.75  | \$ 8.76        |



## RESERVES

|                        | 2001<br>Proved<br>Producing<br>Oil equivalent<br>(MMBOE) | 2001<br>Established<br>Oil<br>equivalent<br>(MMBOE) | Established                          |                                      |                                      |                                      |
|------------------------|----------------------------------------------------------|-----------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                        |                                                          |                                                     | 2000<br>Oil<br>equivalent<br>(MMBOE) | 1999<br>Oil<br>equivalent<br>(MMBOE) | 1998<br>Oil<br>equivalent<br>(MMBOE) | 1997<br>Oil<br>equivalent<br>(MMBOE) |
| RESERVE RECONCILIATION |                                                          |                                                     |                                      |                                      |                                      |                                      |
| Opening reserves       | 48.9                                                     | 69.6                                                | 63.6                                 | 68.9                                 | 59.8                                 | 48.9                                 |
| Capital additions      | 9.6                                                      | 6.1                                                 | 0.6                                  | 0.8                                  | 6.4                                  | 6.2                                  |
| Technical revisions    | (2.0)                                                    | (5.2)                                               | 1.5                                  | (4.7)                                | 0.6                                  | 1.7                                  |
| Acquisitions           | 36.7                                                     | 57.4                                                | 10.9                                 | 6.6                                  | 10.4                                 | 7.7                                  |
| Dispositions           | (5.9)                                                    | (10.4)                                              | (1.1)                                | (2.6)                                | (2.6)                                | (0.3)                                |
| Production             | (10.5)                                                   | (10.5)                                              | (5.9)                                | (5.3)                                | (5.7)                                | (4.3)                                |
| Ending reserves        | 76.8                                                     | 107.0                                               | 69.6                                 | 63.7                                 | 68.9                                 | 59.9                                 |

|                                    | 2001      |              |                   | 2000    |              |                   |
|------------------------------------|-----------|--------------|-------------------|---------|--------------|-------------------|
|                                    | Gross     | Acres<br>Net | Net value<br>(\$) | Gross   | Acres<br>Net | Net value<br>(\$) |
| UNPROVED LANDS                     |           |              |                   |         |              |                   |
| Sundre                             | 47,489    | 35,063       | 1,402,550         | 111,265 | 80,482       | 3,931,650         |
| Brant Farrow                       | 78,609    | 60,414       | 4,228,980         | —       | —            | —                 |
| Dawson                             | 261,608   | 166,229      | 14,129,465        | —       | —            | —                 |
| Stowe Creek                        | 199,697   | 187,872      | 15,969,120        | —       | —            | —                 |
| Thorsby                            | 56,931    | 49,011       | 3,430,770         | —       | —            | —                 |
| Thunder                            | 67,680    | 33,813       | 2,366,910         | —       | —            | —                 |
| Southeastern Alberta               | 70,438    | 48,768       | 1,950,720         | 53,648  | 30,397       | 981,642           |
| Crossfield/Lone Pine Creek         | 46,468    | 35,781       | 2,504,670         | 55,060  | 42,181       | 4,659,092         |
| Boundary Lake                      | 2,900     | 2,780        | 194,600           | 4,820   | 4,620        | 9,900             |
| Gross Overriding Royalty Interests | 244,961   | 244,961      | 3,674,415         | 243,797 | 243,797      | 3,678,909         |
| Others                             | 192,815   | 88,735       | 5,808,803         | 61,840  | 46,686       | 3,976,909         |
| Total                              | 1,269,596 | 953,427      | 55,661,003        | 530,430 | 448,163      | 17,238,102        |

Supplementary Information

RESERVES

| <i>As at January 1, 2002</i>                 | Established | Proved | Probable |
|----------------------------------------------|-------------|--------|----------|
| CRUDE OIL RESERVES BY MAJOR PROPERTY (Mbbbl) |             |        |          |
| Southeastern Alberta <sup>(2)</sup>          | 7,158       | 6,168  | 1,980    |
| Boundary Lake                                | 6,488       | 6,035  | 906      |
| Dawson                                       | 2,259       | 1,903  | 712      |
| Royalties                                    | 1,864       | 1,481  | 766      |
| Kaybob                                       | 1,354       | 1,180  | 348      |
| Northwestern Alberta <sup>(3)</sup>          | 1,184       | 976    | 416      |
| Eagle Lake Viking Vol. Unit                  | 701         | 642    | 118      |
| Crossfield/Lone Pine Creek                   | 329         | 292    | 73       |
| Other                                        | 7,208       | 6,042  | 2,332    |
| Total                                        | 28,545      | 24,719 | 7,651    |
| NATURAL GAS (Bcf)                            |             |        |          |
| Thorsby                                      | 91.5        | 82.5   | 18.0     |
| Crossfield/Lone Pine Creek                   | 49.0        | 39.1   | 19.8     |
| Laprise Creek                                | 39.0        | 34.2   | 9.6      |
| Sundre <sup>1</sup>                          | 37.8        | 26.7   | 22.2     |
| Southeastern Alberta <sup>2</sup>            | 33.6        | 29.2   | 8.8      |
| Northwestern Alberta <sup>(3)</sup>          | 30.9        | 26.4   | 9.0      |
| Brant/Farrow <sup>(4)</sup>                  | 25.4        | 20.4   | 10.0     |
| Royalties                                    | 13.8        | 11.3   | 5.0      |
| Dawson                                       | 13.1        | 10.9   | 4.4      |
| Other                                        | 79.6        | 68.6   | 22.0     |
| Total                                        | 413.7       | 349.3  | 128.8    |
| NATURAL GAS LIQUIDS (Mbbbl)                  |             |        |          |
| Thorsby                                      | 3,270       | 2,968  | 604      |
| Sundre <sup>(1)</sup>                        | 1,804       | 1,252  | 1,104    |
| Laprise Creek                                | 1,002       | 676    | 652      |
| Crossfield/Lone Pine Creek                   | 607         | 495    | 224      |
| Southeastern Alberta <sup>(2)</sup>          | 80          | 70     | 19       |
| Other                                        | 2,783       | 2,369  | 829      |
| Total                                        | 9,546       | 7,830  | 3,432    |

(1) includes Caroline & Ricinus

(2) includes Grand Forks, Medicine Hat, Patricia/Dinosaur, Etzikom & Enchant

(3) includes Naylor Hills, Hotchkiss, Stowe

(4) includes Mossleigh/Herronton

(5) includes Eagle Lake Viking Vol. Unit

Supplementary Information

RESERVES

| <i>As at January 1, 2002 (thousands of dollars)</i> | Discounted<br>@ 0% | Discounted<br>@ 10% | Discounted<br>@ 12% | Discounted<br>@ 15% |
|-----------------------------------------------------|--------------------|---------------------|---------------------|---------------------|
| PRESENT WORTH OF RESERVES                           |                    |                     |                     |                     |
| Proved producing                                    | 1,172,601          | 658,735             | 610,302             | 551,485             |
| Total proved                                        | 1,378,620          | 767,038             | 708,749             | 637,879             |
| Probable                                            | 568,551            | 211,087             | 185,074             | 155,347             |
| Total proved and probable                           | 1,947,171          | 978,125             | 893,823             | 793,226             |
| Established value January 1, 2002                   | 1,662,895          | 872,581             | 801,286             | 715,553             |
| Established value January 1, 2001                   | 1,108,498          | 623,543             | 576,839             | 520,312             |
| Established value January 1, 2000                   | 624,050            | 327,601             | 299,360             | 265,392             |
| Established value January 1, 1999                   | 606,073            | 312,844             | 284,298             | 249,876             |
| Established value January 1, 1998                   | 627,402            | 298,011             | 268,345             | 233,217             |
| Established value January 1, 1997                   | 479,200            | 226,600             | 204,100             | 177,500             |

| <i>As at January 1, 2002</i> | WTI<br>(\$US/bbl) | Edmonton<br>Par<br>(\$Cdn/bbl) | Exchange<br>Rate<br>(\$US/\$Cdn) |
|------------------------------|-------------------|--------------------------------|----------------------------------|
| CRUDE OIL ASSUMPTIONS        |                   |                                |                                  |
| 2002                         | 19.97             | 30.30                          | 0.6363                           |
| 2003                         | 20.85             | 31.10                          | 0.6450                           |
| 2004                         | 21.31             | 31.39                          | 0.6550                           |
| 2005                         | 21.55             | 31.25                          | 0.6550                           |
| 2006                         | 21.87             | 31.45                          | 0.6717                           |
| Next 12 years average        | 24.38             | 35.21                          | 0.6717                           |
| Thereafter                   | 1% esc.           | 1% esc.                        | 0.6717                           |

| <i>As at January 1, 2002</i> | Henry<br>Hub<br>(\$US/mbtu) | Alberta<br>Government<br>Reference<br>Price<br>(\$Cdn/mbtu) | AECO Spot<br>@AECO-C<br>Rate<br>(\$Cdn/mbtu) |
|------------------------------|-----------------------------|-------------------------------------------------------------|----------------------------------------------|
|------------------------------|-----------------------------|-------------------------------------------------------------|----------------------------------------------|

|                                 |         |         |         |
|---------------------------------|---------|---------|---------|
| NATURAL GAS PRICING ASSUMPTIONS |         |         |         |
| 2002                            | 3.06    | 3.83    | 4.13    |
| 2003                            | 3.35    | 4.20    | 4.52    |
| 2004                            | 3.42    | 4.27    | 4.56    |
| 2005                            | 3.45    | 4.31    | 4.55    |
| 2006                            | 3.50    | 4.36    | 4.58    |
| Next 12 years average           | 3.86    | 5.02    | 4.81    |
| Thereafter                      | 1% esc. | 1% esc. | 1% esc. |

|                                        | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|----------------------------------------|------|------|------|------|------|------|
| ESTABLISHED RESERVE LIFE INDEX (years) | 10.0 | 10.2 | 10.9 | 11.1 | 12.2 | 11.1 |



## DAILY PRODUCTION VOLUMES BY MAJOR PROPERTY

|                                      |                                     | 2001    | 2000   | 1999   | 1998   | 1997   |
|--------------------------------------|-------------------------------------|---------|--------|--------|--------|--------|
| NATURAL GAS<br>(Mcf per day)         | Thorsby                             | 18,938  | —      | —      | —      | —      |
|                                      | Sundre <sup>(1)</sup>               | 13,226  | 12,041 | 13,512 | 11,252 | 11,746 |
|                                      | Dawson                              | 11,032  | —      | —      | —      | —      |
|                                      | Crossfield/Lone Pine Creek          | 10,173  | 12,157 | 12,775 | 14,416 | 12,708 |
|                                      | Northwestern Alberta <sup>(3)</sup> | 9,354   | —      | —      | —      | —      |
|                                      | Laprise Creek                       | 9,006   | 9,294  | 9,797  | 11,521 | 10,492 |
|                                      | Brant/Farrow                        | 6,666   | —      | —      | —      | —      |
|                                      | Southeastern Alberta <sup>(2)</sup> | 6,400   | 6,320  | 4,413  | 3,797  | —      |
|                                      | Royalties                           | 4,122   | —      | —      | —      | —      |
|                                      | Other areas                         | 15,885  | 9,220  | 5,961  | 9,423  | 7,275  |
|                                      | Total                               | 104,802 | 49,032 | 46,458 | 50,409 | 42,221 |
| CRUDE OIL<br>(bbl per day)           | Southeastern Alberta <sup>(2)</sup> | 3,240   | 3,061  | 2,821  | 2,329  | —      |
|                                      | Boundary Lake                       | 1,131   | 818    | 745    | 753    | 789    |
|                                      | Royalties                           | 858     | —      | —      | —      | —      |
|                                      | Sundre <sup>(1)</sup>               | 647     | 747    | 885    | 1,074  | 895    |
|                                      | Dawson                              | 597     | —      | —      | —      | —      |
|                                      | Northwestern Alberta <sup>(3)</sup> | 348     | —      | —      | —      | —      |
|                                      | Brant/Farrow                        | 170     | —      | —      | —      | —      |
|                                      | Thorsby                             | 165     | —      | —      | —      | —      |
|                                      | Crossfield/Lone Pine Creek          | 79      | 100    | 94     | 80     | 71     |
|                                      | Laprise Creek                       | 27      | 25     | 27     | 37     | 32     |
|                                      | Other areas                         | 2,771   | 1,831  | 1,386  | 1,595  | 1,950  |
|                                      | Total                               | 10,033  | 6,582  | 5,958  | 5,868  | 3,737  |
| NATURAL GAS LIQUIDS<br>(bbl per day) | Thorsby                             | 623     | —      | —      | —      | —      |
|                                      | Sundre <sup>(1)</sup>               | 590     | 654    | 711    | 581    | 609    |
|                                      | Crossfield/Lone Pine Creek          | 238     | 223    | 192    | 163    | 154    |
|                                      | Laprise Creek                       | 183     | 169    | 164    | 154    | 120    |
|                                      | Royalties                           | 94      | —      | —      | —      | —      |
|                                      | Southeastern Alberta <sup>(2)</sup> | 29      | 31     | 13     | 8      | —      |
|                                      | Brant/Farrow                        | 25      | —      | —      | —      | —      |
|                                      | Northwestern Alberta                | 11      | —      | —      | —      | —      |
|                                      | Boundary Lake                       | 4       | 4      | —      | 5      | 4      |
|                                      | Other areas                         | 476     | 402    | 213    | 315    | 250    |
|                                      | Total                               | 2,273   | 1,483  | 1,293  | 1,226  | 1,137  |
| TOTAL EQUIVALENT<br>(BOE per day)    | Southeastern Alberta <sup>(2)</sup> | 4,336   | 4,145  | 3,570  | 2,970  | —      |
|                                      | Thorsby                             | 3,944   | —      | —      | —      | —      |
|                                      | Sundre <sup>(1)</sup>               | 3,441   | 3,408  | 3,848  | 3,530  | 3,462  |
|                                      | Dawson                              | 2,436   | —      | —      | —      | —      |
|                                      | Crossfield/Lone Pine Creek          | 2,013   | 2,349  | 2,415  | 2,646  | 2,343  |
|                                      | Northwestern Alberta <sup>(3)</sup> | 1,918   | —      | —      | —      | —      |
|                                      | Laprise Creek                       | 1,711   | 1,743  | 1,824  | 2,112  | 1,901  |
|                                      | Royalties                           | 1,639   | —      | —      | —      | —      |
|                                      | Brant/Farrow                        | 1,306   | —      | —      | —      | —      |
|                                      | Boundary Lake                       | 1,139   | 822    | 765    | 798    | 804    |
|                                      | Other areas                         | 5,891   | 3,770  | 2,573  | 3,441  | 3,403  |
|                                      | Total                               | 29,774  | 16,237 | 14,995 | 15,497 | 11,913 |

(1) includes Garrington, Caroline, West Ward Ho &amp; Ricinus

(2) includes Grand Forks, Medicine Hat, Patricia/Dinosaur, Etzikom &amp; Enchant

(3) includes Stowe, Hotchkiss, Naylor

QUARTERLY PRODUCTION VOLUMES BY COMMODITY

|                                           | 2001   | 2000   | 1999   | 1998   | 1997   | 4 mos.<br>1996 |
|-------------------------------------------|--------|--------|--------|--------|--------|----------------|
| CRUDE OIL (barrels per day)               |        |        |        |        |        |                |
| First quarter                             | 6,988  | 5,763  | 6,154  | 4,780  | 3,680  | –              |
| Second quarter                            | 11,453 | 6,038  | 5,805  | 6,206  | 3,843  | –              |
| Third quarter                             | 11,216 | 7,087  | 5,957  | 6,264  | 3,646  | –              |
| Fourth quarter                            | 10,425 | 7,422  | 5,919  | 6,201  | 3,778  | –              |
| Total average                             | 10,033 | 6,582  | 5,958  | 5,868  | 3,737  | 3,372          |
| NATURAL GAS LIQUIDS (barrels per day)     |        |        |        |        |        |                |
| First quarter                             | 1,613  | 1,264  | 1,342  | 1,278  | 1,045  | –              |
| Second quarter                            | 2,614  | 1,537  | 1,277  | 1,254  | 948    | –              |
| Third quarter                             | 2,414  | 1,521  | 1,193  | 1,185  | 1,416  | –              |
| Fourth quarter                            | 2,441  | 1,610  | 1,360  | 1,188  | 1,134  | –              |
| Total average                             | 2,273  | 1,483  | 1,293  | 1,226  | 1,137  | 993            |
| NATURAL GAS (MMcf per day)                |        |        |        |        |        |                |
| First quarter                             | 49.58  | 48.13  | 48.91  | 49.18  | 40.25  | –              |
| Second quarter                            | 127.72 | 48.39  | 47.34  | 54.00  | 36.24  | –              |
| Third quarter                             | 121.32 | 52.10  | 41.27  | 49.95  | 43.31  | –              |
| Fourth quarter                            | 119.65 | 47.49  | 48.40  | 48.51  | 48.97  | –              |
| Total average                             | 104.80 | 49.03  | 46.50  | 50.41  | 42.22  | 31.47          |
| TOTAL OIL EQUIVALENT (BOE per day)        |        |        |        |        |        |                |
| First quarter                             | 16,864 | 15,044 | 15,648 | 14,255 | 11,433 | –              |
| Second quarter                            | 35,353 | 15,642 | 14,972 | 16,460 | 10,831 | –              |
| Third quarter                             | 33,849 | 17,291 | 14,028 | 15,774 | 12,280 | –              |
| Fourth quarter                            | 32,807 | 16,949 | 15,346 | 15,474 | 13,073 | –              |
| Total average                             | 29,774 | 16,237 | 14,995 | 15,497 | 11,913 | 9,610          |
| Natural gas as a percentage of production | 59%    | 50%    | 52%    | 54%    | 59%    | 54%            |
| AVERAGE SELLING PRICES                    |        |        |        |        |        |                |
| Crude oil (\$/bbl)                        | 32.21  | 36.67  | 21.69  | 16.92  | 25.93  | 30.93          |
| Natural gas liquids (\$/bbl)              | 30.96  | 34.42  | 19.09  | 14.55  | 22.65  | 23.87          |
| Natural gas (\$/Mcf)                      | 6.16   | 4.65   | 2.51   | 1.83   | 1.85   | 1.59           |
| Combined (\$/BOE)                         | 34.80  | 32.19  | 17.95  | 13.58  | 16.94  | 18.64          |
| OPERATING NETBACKS (dollars per BOE)      |        |        |        |        |        |                |
| Revenue                                   | 34.80  | 32.19  | 17.95  | 13.58  | 16.94  | 18.64          |
| Other revenue                             | 0.14   | 0.08   | 0.04   | 0.05   | 0.04   | –              |
| Royalties                                 | (6.73) | (5.92) | (3.14) | (2.28) | (3.27) | (3.25)         |
| Operating expenses                        | (5.42) | (5.08) | (5.23) | (5.40) | (4.89) | (4.45)         |
| Operating netback                         | 22.79  | 21.27  | 9.62   | 5.95   | 8.82   | 10.94          |

## FINANCIAL HIGHLIGHTS

| <i>(thousands of dollars, except per-BOE and<br/>per Trust Unit amounts)</i> | 2001    | 2000    | 1999   | 1998   | 1997   | 4 mos.<br>1996 |
|------------------------------------------------------------------------------|---------|---------|--------|--------|--------|----------------|
| Cash flow from operations                                                    | 214,511 | 112,062 | 41,081 | 24,806 | 32,086 | 11,608         |
| per BOE                                                                      | 19.74   | 18.91   | 7.51   | 4.39   | 7.38   | 9.90           |
| per Trust Unit                                                               | 2.09    | 2.51    | 1.21   | 0.79   | 1.29   | 0.46           |
| Operating revenues, net of royalties                                         | 306,515 | 156,561 | 81,282 | 64,257 | 59,592 | 18,043         |
| per BOE                                                                      | 28.20   | 26.42   | 14.85  | 11.36  | 13.71  | 15.39          |
| per Trust Unit                                                               | 2.99    | 3.51    | 2.39   | 2.04   | 2.39   | 2.17           |
| Operating expenses                                                           | 58,951  | 30,175  | 28,609 | 30,550 | 21,270 | 5,218          |
| per BOE                                                                      | 5.42    | 5.09    | 5.23   | 5.40   | 4.89   | 4.45           |
| per Trust Unit                                                               | 0.57    | 0.68    | 0.84   | 0.97   | 0.85   | 0.63           |
| Cash G&A expenses                                                            | 10,394  | 4,140   | 5,321  | 5,108  | 3,708  | 787            |
| per BOE                                                                      | 0.96    | 0.70    | 0.97   | 0.90   | 0.85   | 0.67           |
| per Trust Unit                                                               | 0.10    | 0.09    | 0.16   | 0.16   | 0.15   | 0.09           |
| Cash management fees                                                         | 6,431   | 3,277   | 1,386  | 882    | 923    | 335            |
| per BOE                                                                      | 0.59    | 0.55    | 0.25   | 0.16   | 0.21   | 0.28           |
| per Trust Unit                                                               | 0.06    | 0.07    | 0.04   | 0.03   | 0.04   | 0.04           |
| Interest expense                                                             | 13,800  | 6,359   | 4,885  | 4,711  | 2,140  | 95             |
| per BOE                                                                      | 1.27    | 1.07    | 0.89   | 0.83   | 0.49   | 0.08           |
| per Trust Unit                                                               | 0.13    | 0.14    | 0.14   | 0.15   | 0.09   | 0.01           |
| Operating netback                                                            | 247,564 | 126,386 | 52,673 | 33,707 | 38,322 | 12,825         |
| per BOE                                                                      | 22.79   | 21.33   | 9.62   | 5.95   | 8.82   | 10.94          |
| per Trust Unit                                                               | 2.41    | 2.83    | 1.55   | 1.07   | 1.54   | 1.54           |
| Cash distributed to unitholders                                              | 234,465 | 79,033  | 37,351 | 25,769 | 33,409 | 10,956         |
| per Trust Unit                                                               | 2.31    | 1.77    | 1.10   | 0.82   | 1.34   | 0.44           |



FINANCIAL HIGHLIGHTS

| <i>(thousands of dollars, except unit and per-unit)</i> | 2001      | 2000    | 1999    | 1998    | 1997    | 4 mos.<br>1996 |
|---------------------------------------------------------|-----------|---------|---------|---------|---------|----------------|
| Cumulative cash distributions                           | 420,983   | 186,518 | 107,485 | 70,134  | 44,365  | 10,956         |
| Per Trust Unit                                          | 7.78      | 5.47    | 3.70    | 2.60    | 1.78    | 0.44           |
| Units outstanding at year-end                           | 125,966   | 50,982  | 35,769  | 33,023  | 24,950  | 24,900         |
| Exchangeable shares outstanding                         | 4,068     | 1,112   | –       | –       | –       | –              |
| Capital expenditures, net of dispositions               | 828,358   | 143,592 | 32,910  | 65,192  | 49,724  | 242,623        |
| Working capital (deficit)                               | (30,466)  | (254)   | 5,850   | 2,369   | 1,845   | 1,308          |
| Reclamation fund balance                                | 755       | 398     | 1,060   | 1,781   | 1,738   | 2,223          |
| Total assets                                            | 1,516,081 | 434,238 | 320,210 | 316,140 | 285,765 | 254,480        |
| Net asset value                                         | 743,300   | 561,400 | 252,900 | 254,800 | 243,200 | 218,200        |
| Net asset value per Trust Unit                          | 5.67      | 10.55   | 7.07    | 7.72    | 9.75    | 8.76           |
| Total capitalization (including debt)                   | 1,059,519 | 546,380 | 323,718 | 237,403 | 276,953 | 294,290        |
| DEBT ANALYSIS                                           |           |         |         |         |         |                |
| Long-term debt, net of working capital                  | 225,466   | 79,208  | 85,854  | 70,637  | 64,878  | 12,920         |
| Debt-to-annual-cash flow ratio                          | 1.05      | 0.71    | 2.10    | 2.85    | 2.02    | 0.37           |
| Debt-to-equity ratio                                    | 26.6%     | 27.3%   | 46.1%   | 34.2%   | 34.5%   | 6.4%           |
| Interest-coverage ratio                                 | 16.5      | 18.6    | 8.5     | 6.0     | 15.5    | 115.6          |
| Average cost of debt                                    | 5.6%      | 7.4%    | 5.9%    | 6.3%    | 4.8%    | 3.8%           |
| Net debt per Trust Unit                                 | 1.72      | 1.52    | 2.41    | 2.14    | 2.60    | 0.52           |
| TAX POOLS (CONSOLIDATED)                                |           |         |         |         |         |                |
| Canadian oil and gas property expense (COGPE)           | 424,000   | 299,000 | 255,000 | 263,400 | 225,600 | 221,800        |
| Canadian exploration expense (CEE)                      | 23,700    | 5,700   | –       | 1,850   | 300     | –              |
| Canadian development expense (CDE)                      | 11,100    | 9,000   | –       | –       | 7,200   | –              |
| Capital cost allowance (CCA)                            | 101,200   | 35,850  | 24,425  | 32,330  | 25,000  | 13,600         |
| Losses available for carry forward                      | 24,800    | –       | –       | –       | –       | –              |
| Unit issue expenses                                     | 12,171    | 6,245   | 8,300   | 14,600  | 11,900  | 15,100         |

Supplementary Information

# TRADING PERFORMANCE

TRUST UNIT TRADING PERFORMANCE

|                             | First<br>quarter<br>2001 | Second<br>quarter<br>2001 | Third<br>quarter<br>2001 | Fourth<br>quarter<br>2001 | 2001    | 2000    | 1999   | 1998   | 1997    | 1996    |
|-----------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------|---------|--------|--------|---------|---------|
| Trust Unit price: High      | 9.90                     | 10.54                     | 8.77                     | 7.51                      | 10.54   | \$9.30  | \$7.70 | \$8.75 | \$11.45 | \$12.15 |
| Low                         | 8.72                     | 8.45                      | 6.42                     | 5.95                      | 5.95    | \$6.30  | \$4.75 | \$4.75 | \$7.50  | \$11.20 |
| Close                       | 9.00                     | 8.85                      | 6.46                     | 6.36                      | 6.36    | \$8.95  | \$6.65 | \$5.05 | \$8.50  | \$11.30 |
| Average daily volume traded | 338,084                  | 959,063                   | 608,209                  | 596,623                   | 624,488 | 121,256 | 49,767 | 55,318 | 42,323  | 273,763 |

MARKET INDICATORS

|                                         | First<br>quarter<br>2001 | Second<br>quarter<br>2001 | Third<br>quarter<br>2001 | Fourth<br>quarter<br>2001 | 2001  | 2000  | 1999  | 1998  | 1997  | 1996  |
|-----------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|-------|-------|-------|-------|-------|-------|
| WTI (\$US per barrel)                   | 28.72                    | 27.96                     | 26.76                    | 20.43                     | 25.97 | 30.20 | 19.24 | 14.43 | 20.61 | 22.01 |
| Monthly AECO Spot (\$Cdn/mcf)           | 10.91                    | 7.08                      | 3.92                     | 3.30                      | 6.30  | 5.02  | 2.96  | 2.07  | 1.88  | 1.39  |
| Exchange rate (\$US/\$Cdn)              | 0.65                     | 0.65                      | 0.64                     | 0.63                      | 0.65  | 0.67  | 0.67  | 0.67  | 0.72  | 0.73  |
| Closing prices                          |                          |                           |                          |                           |       |       |       |       |       |       |
| Government of Canada 10-year bond yield | 5.40%                    | 5.90%                     | 5.34%                    | 5.36%                     | 5.35% | 5.40% | 6.26% | 4.91% | 5.62% | 6.41% |
| TSE 300 Index                           | 7,608                    | 7,736                     | 6,838                    | 7,688                     | 7,688 | 8,934 | 8,414 | 6,486 | 6,699 | 5,927 |
| TSE Oil and Gas Producers Index         | 7,525                    | 7,505                     | 6,834                    | 7,467                     | 7,467 | 7,271 | 4,976 | 4,074 | 5,869 | 6,577 |

DISTRIBUTION HISTORY

| (dollars per Trust Unit) | 2001 | 2000   | 1999   | 1998   | 1997   | 1996                |
|--------------------------|------|--------|--------|--------|--------|---------------------|
| First quarter            | 0.60 | 0.30   | 0.18   | 0.24   | 0.35   | –                   |
| Second quarter           | 0.66 | 0.39   | 0.23   | 0.22   | 0.30   | –                   |
| Third quarter            | 0.61 | 0.48   | 0.34   | 0.18   | 0.30   | –                   |
| Fourth quarter           | 0.44 | 0.60   | 0.35   | 0.18   | 0.39   | 0.44 <sup>(1)</sup> |
| Total                    | 2.31 | \$1.77 | \$1.10 | \$0.82 | \$1.34 | \$0.44              |
| % Tax deferred           | 33%  | 47%    | 100%   | 100%   | 100%   | 100%                |

(1) represents four months

Statement

The Board of Directors and the management team of PrimeWest are committed to a high standard of corporate governance. Effective corporate governance requires specified reporting structures and business processes, a strategic plan, and a commitment to work according to these. We believe that sound corporate governance contributes to unitholder value and to trust and confidence in PrimeWest.

The Board of Directors of PrimeWest Energy Inc. is ultimately responsible under law for the stewardship of PrimeWest Energy Inc., including the business affairs of PrimeWest Energy Trust. To help execute this mandate, the Board has two standing committees, each consisting of only independent directors. These are the Audit Committee (which also functions as the Reserves Committee) and the Corporate Governance and Compensation Committee (which also functions as the Environmental, Health and Safety Committee).

The Toronto Stock Exchange has published guidelines for effective corporate governance, guidelines that represent a minimum standard for PrimeWest. These are set out below along with a notation as to PrimeWest’s conformity to them.

Does PrimeWest conform to the guidelines?

TSE CORPORATE GOVERNANCE GUIDELINES

1. The Board of directors should explicitly assume responsibility for the stewardship of the company, specifically:

(a.) adopting a strategic planning process

Yes

The Board receives presentations from management with respect to the long-term direction of the trust, strategic priorities and performance. The Board reviews and analyses these presentations to ensure that there is congruence among strategic plans, performance and unitholder expectations.

(b.) identifying principal risks and ensuring the implementation of systems to manage these risks

Yes

The Board and management are well versed in the principal risks associated with operating PrimeWest. Management updates the Board regularly about the corporate processes for managing risks related to commodity prices and differentials, production levels and trends, and compliance with environment, health and safety legislation and regulations.

(c.) planning for succession, including the appointment, training and monitoring of senior management

Yes

The Corporate Governance and Compensation Committee oversees PrimeWest’s compensation programs, practices and the performance of senior management. The Board also ensures that adequate provisions have been made for senior management training and succession.



Yes  
Y  
○

(d.) assuming responsibility for a corporate communications policy

The Audit Committee reviews all operating and financial results prior to public disclosure. In addition, the Board has adopted written policies governing communications, disclosure and insider trading. These policies are responsive to securities laws and guidelines issued by The Toronto Stock Exchange and the Canadian Investor Relations Institute.

Yes  
Y  
○

(e.) assuming responsibility for the integrity of internal control and management systems

The Audit Committee oversees PrimeWest's financial reporting processes, the systems for internal control, the audit process, and the management of risk.

2. The majority of the Board should be unrelated (independent of management, free from conflict of interest).

Yes  
Y  
○

PrimeWest's Board of Directors currently consists of five individuals, the majority of whom are unrelated. There are four independent directors and one management director.

3. Disclose whether or not each director is unrelated and explain.

|                    |           |                |
|--------------------|-----------|----------------|
| Barry E. Emes      | Unrelated | Non-management |
| Harold N. Kvisle   | Unrelated | Non-management |
| Michael W. O'Brien | Unrelated | Non-management |
| Kent J. MacIntyre  | Related   | Management     |
| Harold P. Milavsky | Unrelated | Non-management |

4. The Board should appoint a committee of independent directors to nominate new directors and assess all directors' performance.

Partially  
↑  
○

The Board has created Corporate Governance and Compensation Committee, consisting only of unrelated directors, whose mandate is to carry out this responsibility. Procedures for assessing directors' performance are currently being formulated and will be completed in 2002.

5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board, and individual directors.

Partially  
↑  
○

The Corporate Governance and Compensation Committee has this responsibility and is currently reviewing formal procedures in this respect.

6. Every corporation should provide an orientation and education program for new recruits to the Board.  

Yes



In 2000, a new, unrelated director was appointed to the Board. During the recruitment process and following, he was briefed thoroughly about PrimeWest and the oil and gas royalty trust sector.
7. Every board should examine its size and, with a view to effectiveness, consider reducing the size to improve decision-making.  

Yes



The Board has examined its size, and considers that its current number is appropriate at this time.
8. The Board should review directors' compensation to ensure that it adequately reflects responsibilities and risks.  

Yes



The Corporate Governance and Compensation Committee carries out this responsibility annually.
9. Committees of the Board generally should be composed of independent directors with the majority being unrelated.  

Yes



The two committees of the PrimeWest Board are composed solely of independent and unrelated directors.
10. Every board should expressly assume responsibility for, or assign to a committee, the responsibility for developing the company's approach to corporate governance issues.  

Yes



The Corporate Governance and Compensation Committee focuses on corporate governance and ensures that PrimeWest's corporate governance system is effective.
11. The Board, together with the CEO, should:
 

*(a.) develop position descriptions for the Board and for the CEO, setting out limits to management's responsibilities*

Yes



The Corporate Governance and Compensation Committee has established clear sets of responsibilities for the Board as a whole and for its committees. It has also done this for the Vice-chairman and CEO, with defined limits to his responsibilities. The Vice-chairman and CEO delegates responsibility to senior officers of PrimeWest, who have written descriptions of their objectives.

*(b.) approve or develop the corporate objectives for the Board and for the CEO*

Yes



The full Board reviews and approves annual strategic and operating and financial objectives; management prepares these, and the Vice-chairman and CEO is accountable for them.

12. Every board should have structures and procedures to ensure that it can function independently of management.

Yes  
Y  
o

The Chairman of the Board is an unrelated director and independent of management. Any member of the Board may call a meeting to be held without management present. Members of the Audit Committee, which also functions as the Reserves Committee, meet directly with the Company’s auditors and independent reserves engineering firm, in part without management present. The independent directors meet in camera at the end of each meeting.

13. All boards should have an Audit Committee, consisting only of non-management directors, which has a clearly defined mandate and appropriate oversight.

Yes  
Y  
o

The Audit Committee consists only of unrelated directors and has direct access to external auditors. The Committee reviews financial reporting processes of PrimeWest, its systems of internal controls, and the audit process. The Committee also reviews the annual reserves engineering report and all operating and financial results before disclosure.

14. The Board should enable an individual director to engage an outside advisor in appropriate circumstances, at the expense of the company.

Yes  
Y  
o

In circumstances considered to be appropriate by the Corporate Governance and Compensation Committee, an individual director may engage an outside advisor at company expense.

THE SAUCIER REPORT - BEYOND COMPLIANCE,  
BUILDING A GOVERNANCE CULTURE

The Joint Committee on Corporate Governance (TSE, CDNX, CICA) delivered its final report in November of 2001. The report contains 15 recommendations for improved corporate governance. Among the recommendations, the following three are most often identified as critical to successful governance practices:

| ITEM                                         | PRIMEWEST COMPLIANCE                              |
|----------------------------------------------|---------------------------------------------------|
| 1. Independent board leader.                 | Board chairman that is independent and unrelated. |
| 2. Board involvement in strategic planning.  | See 1(a) above.                                   |
| 3. Complete disclosure of governance system. | See 1 to 14 above.                                |



ENVIRONMENTAL, HEALTH AND SAFETY

ENVIRONMENT

PrimeWest believes that attaining a high standard of environmental stewardship is a key component of our business objectives. To achieve these high standards, PrimeWest focuses on the following components:

ENVIRONMENTAL COMPLIANCE

- Ensure complete compliance with environmental legislation and regulations;
- Develop and adhere to a company-specific system to manage environmental activities; and
- Provide adequate training and support on environmental related matters to field operations personnel

During 2001, PrimeWest conducted an inventory of all of its aboveground and underground storage tanks to meet the guidelines as set out by the EUB Guide G-55.

ENVIRONMENTAL LIABILITY

- Reduce long term environmental liabilities through timely decommissioning, abandonment and reclamation of well leases and facilities;
- Monitor environmental liabilities through regular inspections;
- Respond to field and facility situations promptly to mitigate environmental impacts; and
- Support new environmental research that has application to PrimeWest’s operations.

During 2001, PrimeWest continued an active lease reclamation program. Of the 700 leases identified for reclamation, 160 leases were addressed. PrimeWest received 24 reclamation certificates and 17 applications are pending.

EMISSIONS AND WASTE REDUCTION

- Increase electrical and fuel-gas efficiency at PrimeWest facilities;
- Reduce greenhouse gas emissions and flaring; and
- Minimize waste products by reducing, recycling and recovering

PrimeWest received Gold Medal standing from the federal Voluntary Challenge Registry for its 2000 report submission. This Registry is a means of promoting, assessing and recognizing the effectiveness of the voluntary approach in addressing climate change. PrimeWest’s report received 93 points out of a possible 100.

STAKEHOLDER RELATIONSHIPS

- Work to build long term relationships with environmental stakeholders and community groups; and
- Respond promptly to landowner and community concerns

During 2001, PrimeWest amended its Emergency Response Plans to address its contingency responsibilities in its major operating areas including Crossfield/ Lone Pine Creek, Meekwap, Kaybob and Enchant.

HEALTH AND SAFETY

PrimeWest is committed to safety in the workplace and ensuring that the health of its employees and the surrounding communities is protected. It is a condition of employment that PrimeWest personnel work safely and in accordance with established regulations and procedures. The Occupational Health and Safety Group within PrimeWest implements policy, provides training and conducts audits to ensure that established policies are rigidly adhered to.

During 2001, PrimeWest implemented a comprehensive health and safety training program for its employees and contractors. The training program will be provided over a one-week period with elements including Workplace Hazardous Materials, Transportation of Dangerous Goods, Gas Testing Safety, Industrial Fire Fighting, Defensive Driving, Respiratory Protection, Accident/ Incident Reporting and Standard First Aid/CPR.

INCOME TAX CONSIDERATIONS

To calculate your Adjusted Cost Base (ACB), visit the PrimeWest Energy Web site at [www.primewestenergy.com](http://www.primewestenergy.com) and click on Unitholder Info.

One of the most frequently asked questions from our unitholders is “How are the monthly distributions that I received treated for tax?” Distributions paid to the Trust are both a return of capital (i.e. a repayment of a portion of your investment) and a return on capital (i.e. income). The allocation depends on the tax deductions that the Trust is entitled to claim against income it earns from royalty income it receives from PrimeWest and income it earns directly. These tax deductions are primarily COGPE (Canadian Oil and Gas Property Expenses) – the cost of acquiring the royalty from the operating companies or the Trust’s direct investment in revenue producing property.

Each year, the return on capital, or taxable income portion, is calculated and reported in the Trust’s T3 return and allocated to each unitholder who received distributions in that taxation year on the T3 supplementary forms which are mailed out in late February or early March. The T3 slip will report only the other income component in box 26. This income is taxed in the same manner as interest expense.

The following is a summary of the split between other income and return of capital since the Trust’s inception:

| Record Date            | Payment Date           | Distribution Amount | Other Income | Return of Capital |
|------------------------|------------------------|---------------------|--------------|-------------------|
| 31-Dec-96 to 30-Nov-97 | 15-Jan-97 to 15-Dec-97 | 1.39                | –            | 1.39000           |
| 31-Dec-97 to 30-Nov-98 | 15-Jan-98 to 15-Dec-98 | 1.15                | –            | 1.15000           |
| 31-Dec-98 to 30-Nov-99 | 15-Jan-99 to 15-Dec-99 | 1.06                | –            | 1.06000           |
| 31-Dec-99              | 15-Jan-00              | 0.10                | 0.05300      | 0.04700           |
| 31-Jan-00              | 15-Feb-00              | 0.10                | 0.05300      | 0.04700           |
| 29-Feb-00              | 15-Mar-00              | 0.10                | 0.05300      | 0.04700           |
| 31-Mar-00              | 15-Apr-00              | 0.10                | 0.05300      | 0.04700           |
| 30-Apr-00              | 15-May-00              | 0.10                | 0.05300      | 0.04700           |
| 31-May-00              | 15-Jun-00              | 0.13                | 0.06890      | 0.06110           |
| 30-Jun-00              | 15-Jul-00              | 0.16                | 0.08480      | 0.07520           |
| 31-Jul-00              | 15-Aug-00              | 0.16                | 0.08480      | 0.07520           |
| 31-Aug-00              | 15-Sep-00              | 0.16                | 0.08480      | 0.07520           |
| 30-Sep-00              | 15-Oct-00              | 0.16                | 0.08480      | 0.07520           |
| 31-Oct-00              | 15-Nov-00              | 0.20                | 0.10600      | 0.09400           |
| 30-Nov-00              | 15-Dec-00              | 0.20                | 0.10600      | 0.09400           |
| 30-Dec-00              | 15-Jan-01              | 0.20                | 0.13430      | 0.06569           |
| 31-Jan-01              | 15-Feb-01              | 0.20                | 0.13430      | 0.06569           |
| 28-Feb-01              | 15-Mar-01              | 0.20                | 0.13430      | 0.06569           |
| 31-Mar-01              | 15-Apr-01              | 0.20                | 0.13430      | 0.06569           |
| 30-Apr-01              | 15-May-01              | 0.22                | 0.14774      | 0.07226           |
| 31-May-01              | 15-Jun-01              | 0.22                | 0.14774      | 0.07226           |
| 30-Jun-01              | 15-Jul-01              | 0.22                | 0.14774      | 0.07226           |
| 31-Jul-01              | 15-Aug-01              | 0.22                | 0.14774      | 0.07226           |
| 31-Aug-01              | 15-Sep-01              | 0.22                | 0.14774      | 0.07226           |
| 30-Sep-01              | 15-Oct-01              | 0.17                | 0.11416      | 0.05584           |
| 31-Oct-01              | 15-Nov-01              | 0.17                | 0.11416      | 0.05584           |
| 30-Nov-01              | 15-Dec-01              | 0.17                | 0.11416      | 0.05584           |

## DISTRIBUTION REINVESTMENT AND OPTIONAL TRUST UNIT PURCHASE PLANS

The Distribution Reinvestment Plan (commonly referred to as the DRIP) and our Optional Trust Unit Purchase Plan provide our Canadian unitholders with an economical, convenient way to maximize their investment in PrimeWest. Participants do not pay any costs associated with these plans, including brokerage commissions.

Since 1998, these plans have enabled unitholders to reinvest their monthly distributions automatically and make additional annual investments of between \$100 and \$100,000 – without incurring brokerage fees and with a 5% discount off the 20-day weighted average market price at the time. To view the 5% discounted unit prices by month, please refer to our DRIP section of the PrimeWest Web site at [www.primewestenergy.com](http://www.primewestenergy.com).

Some banks, trust companies or brokerage firms will allow participation in PrimeWest's DRIP and others will not. You will need to make enquiries directly with your account holder. If you cannot participate as a non-registered holder, you must either transfer your units to hold them directly or transfer them to an account that allows participation.

If you are a Canadian resident and a registered unitholder (you have a Trust Unit certificate), you may fill out forms 'Part A' and 'Part B' located in the DRIP section of the PrimeWest Web site at [www.primewestenergy.com](http://www.primewestenergy.com).

For further information, contact Computershare Trust Company of Canada – by phone toll-free phone (1-800-332-0095) or fax (403-982-766). You may also contact PrimeWest Investor Relations – by phone (403-234-6600), toll-free phone in Canada and the continental United States (1-877-968-7878), fax (403-699-7271) or e-mail ([investor@primewestenergy.com](mailto:investor@primewestenergy.com)).



**AECO:** refers to a pricing point for gas produced in Western Canada located at a gas storage facility adjacent to the TransCanada mainline near the Alberta-Saskatchewan border.

**BARREL OF OIL EQUIVALENT (BOE):** Natural gas production is converted using six thousand cubic feet of gas for one barrel of oil, with this number added to the actual number of barrels of crude oil and natural gas liquids on an average day to derive the barrels of oil equivalent produced per day.

**CASH DISTRIBUTION DATE:** the date Distributable Income is paid to Unitholders, currently being the 15<sup>th</sup> day of the month following any record date.

**DECLARATION OF TRUST:** refers to the declaration of trust dated August 2, 1996 among the Trustee, PrimeWest, and the Initial Unitholder (as therein defined), as amended from time to time.

**DISTRIBUTABLE INCOME:** refers to the 99% of Royalty Income together with any income earned by the Trust from Permitted short term investments plus any ARTC, less Crown royalties and other Crown charges that are not deductible by PrimeWest for income tax purposes and that are reimbursed by the Trust to PrimeWest less general and administrative expense of the Trust.

**ESTABLISHED RESERVES:** indicates all proved and one half of probable reserves.

**EX-DISTRIBUTION DATE:** the holder of units purchased prior to the ex-distribution date is entitled to the declared distribution paid on the 15<sup>th</sup> of the next month. Ex-distribution date is 2 business days prior to the record date.

**GENERAL AND ADMINISTRATIVE COSTS:** refers to the aggregate representing all expenditures and costs incurred under the Management Agreement in respect of PrimeWest, the Trust or the Royalty or in management and administration of PrimeWest, the Trust or the Royalty other than Management Fees.

**MANAGEMENT FEE:** refers to the fees payable to the Manager pursuant to the Management Agreement. The Manager is PrimeWest Management Inc.

**PEERS:** include ARC Energy Trust, Enerplus Resources Fund and Pengrowth Energy Trust.

**RECORD DATE:** means the last day in each month.

**RESERVE LIFE INDEX:** is the time span in years derived by dividing the quantity of reserves by the total production of oil, natural gas, and natural gas liquids during calendar year 2001.

**ROYALTY:** refers to the payment of monies by PrimeWest to the Trust pursuant to the Royalty Agreement, which royalty equals 99% of Royalty Income.

**TRUSTEE:** refers to ComputerShare Trust Company of Canada, or its successor as trustee of the Trust.

**WEST TEXAS INTERMEDIATE (WTI):** a high quality grade of crude oil produced in West Texas whose price is most commonly used as a benchmark for crude oil pricing internationally.

ABBREVIATIONS

|                |                                       |
|----------------|---------------------------------------|
| bbls           | barrels                               |
| Mbbls          | one thousand barrels                  |
| MMbbls         | one million barrels                   |
| bbls per day   | barrels per day                       |
| Mcf            | one thousand cubic feet               |
| MMcf           | one million cubic feet                |
| Mcf per day    | one thousand cubic feet per day       |
| Bcf            | one billion cubic feet                |
| m <sup>3</sup> | one thousand cubic meters             |
| BOE            | barrels of oil equivalent             |
| BOE per day    | barrels of oil equivalent per day     |
| MMBOE          | millions of barrels of oil equivalent |

CONVERSION FACTORS:

|                             |                        |
|-----------------------------|------------------------|
| 1 cubic meter (liquids)     | = 6.29 barrels         |
| 1 cubic meter (natural gas) | = 35.49 cubic feet     |
| 1 litre                     | = 0.22 imperial gallon |
| 1 hectare                   | = 2.47 acres           |
| 1 cubic meter               | = 1000 litres          |

INDEPENDENT DIRECTORS



HAROLD P. MILAVSKY, FCA

*Chairman, Independent Director*

Mr. Milavsky is Chairman of Quantico Capital Corp., a privately held company engaged in merchant banking, principal investments and acquisitions. Mr. Milavsky serves as a director of Aspen Properties Ltd., various investment trusts comprising the Citadel Group of Funds, ENMAX Corporation and Torode Realty Limited. Mr. Milavsky was formerly Chief Executive Officer of Trizec Corporation, and a director of TransCanada PipeLines Limited, Telus Corporation Inc., Northrock Resources Ltd., Encal Energy Ltd. and Wascana Energy Inc.



BARRY E. EMES, LL.B.

*Independent Director*

Mr. Emes is a partner in the corporate/commercial group of the Calgary office of Stikeman Elliott and a member of the firm's Partnership Board. In his practice, he has counseled borrowers and lenders in financings; sellers and purchasers of shares and other assets; and independent committees and financial advisors with respect to corporate acquisitions.



HAROLD N. KVISLE, P. ENG.

*Independent Director*

Mr. Kvisle is President, Chief Executive Officer and a Director of TransCanada PipeLines Limited, and he acts as a director of several companies and limited partnerships within the TransCanada group. Mr. Kvisle also is a director of Norske Skog Canada Limited. Mr. Kvisle was formerly president of Fletcher Challenge Petroleum.



MICHAEL W. O'BRIEN

*Independent Director*

Mr. O'Brien is a 35-year veteran of the petroleum business and currently is the Executive Vice-president, Corporate Development and Chief Financial Officer of Suncor Energy Inc. He serves, among other responsibilities, as the current Chair of Canada's Climate Change Voluntary Challenge and Registry Inc. (VCR Inc.) and also Chair of the Nature Conservancy of Canada.

## SENIOR OFFICERS



KENT MACINTYRE

*Vice-chairman and Chief Executive Officer, Director*

Mr. MacIntyre has over 22 years of oil and gas experience, the last 13 as a principal in the start-up and management of oil and gas ventures. Prior to establishing PrimeWest, he was President and CEO of Triad Energy Inc., and before that, President and CEO of Olympia Energy Ventures Ltd. He is a director of BlackRock Ventures Inc., Capture Energy Ltd., GLR Solutions Ltd. and various investment trusts comprising the Citadel Group of Funds. Mr. MacIntyre holds a B.Sc. (Engineering) degree from the University of Manitoba and an MBA from the University of Calgary.



DON GARNER

*President and Chief Operating Officer*

Mr. Garner has over 20 years experience in the oil and gas industry, most recently as President and Chief Operating Officer of Northstar Energy Corporation. He spent a good portion of his career at Imperial Oil Limited in various capacities, including executive responsibility for the Oil Sands Business Unit and as a director of Syncrude Canada Limited. An engineering graduate of the University of Saskatchewan, Mr. Garner has undertaken postgraduate studies through the Wharton School, The American Graduate School of International Management and University of Calgary.



RON AMBROZY, P. ENG.

*Vice-president, Business Development*

Mr. Ambrozy has been active in the oil and gas industry since 1975, initially holding progressively more responsible positions with Gulf Canada. During the last 13 years of his career, he has led the evaluation of properties and completion of transactions worth more than \$2 billion. Mr. Ambrozy joined PrimeWest in 1997. For the last four years Mr. Ambrozy has been actively involved with the Petroleum Acquisition and Divestment Association (PADA) and currently is still co-chairman of PADA.



DENNIS FEUCHUK, CMA

*Vice-president, Finance and Chief Financial Officer*

Mr. Feuchuk has spent over 26 years in the oil and gas industry in various financial and accounting capacities. Prior to joining PrimeWest in October 2001, Mr. Feuchuk was Vice President and Controller for Gulf Canada Resources Limited and Vice President and Treasurer for Athabasca Oil Sands Trust.



TIM GRANGER, P.ENG.

*Vice-president, Operations and Development*

Mr. Granger is a graduate of Carleton University's Engineering program, and has more than 22 years of oil and gas experience in drilling, production operations and property development. Before taking a leadership role at PrimeWest in June 1999, Mr. Granger headed the Canadian operations of a company based in the United States.



BILL ROWE, C.A.

*Vice-president, Planning and Investor Relations*

Mr. Rowe is Past Chairman of the Canadian Investor Relations Institute (CIRI) and the 2000 winner of CIRI's Award of Excellence and a Past Director of the Washington, D.C. based National Investor Relations Institute (NIRI). Prior to joining PrimeWest in December 2001, Mr. Rowe was Vice President, Investor Relations for NOVA Chemicals Corporation. Prior to joining NOVA, Mr. Rowe was engaged in the practice of auditing and consulting with Ernst & Young. Mr. Rowe is a graduate of McMaster University, Bachelor of Commerce.



# ANNUAL MEETING

Annual Meeting – The Annual General and Special Meeting of Unitholders is scheduled for Tuesday, May 21, 2002, beginning at 3:00 p.m. at the Metropolitan Centre in Calgary.

## PLEASE KEEP ME INFORMED

I wish to be added to the PrimeWest direct mailing list ☐

I wish to be added to the PrimeWest direct e-mail list ☐



PRIMEWEST

## DISTRIBUTION REINVESTMENT PLAN

Please send me further information about the Distribution Reinvestment Plan and Optional Trust Unit Purchase Plan ☐

Name \_\_\_\_\_

Company (if applicable) \_\_\_\_\_

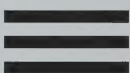
Address \_\_\_\_\_

Postal Code \_\_\_\_\_

Telephone ( ) \_\_\_\_\_ Fax ( ) \_\_\_\_\_

e-mail Address \_\_\_\_\_

*Please complete this card and return it free of charge by mail; or e-mail us at [investor@primewestenergy.com](mailto:investor@primewestenergy.com); or call us toll-free at 1 (877) 968-7878*



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ATTN: INVESTOR RELATIONS  
PRIMWEST ENERGY TRUST  
4700-150 6 AVE SW  
CALGARY AB T2P 9Z9



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Harold P. Milavsky <sup>1</sup>

*Chairman*

*Quantico Capital Corp.*

Kent J. MacIntyre <sup>2</sup>

*Vice-chairman and*

*Chief Executive Officer*

*PrimeWest Energy Inc.*

Barry E. Emes <sup>1</sup>

*Partner*

*Stikeman Elliott*

Harold N. Kvisle <sup>1</sup>

*President and*

*Chief Executive Officer*

*TransCanada PipeLines Limited*

Michael W. O'Brien <sup>1</sup>

*Executive Vice-president,*

*Corporate Development and*

*Chief Financial Officer*

*Suncor Energy Inc.*

<sup>1</sup> Member of the Audit Committee  
and the Corporate Governance and  
Compensation Committee

<sup>2</sup> Nominee of the manager

### OFFICERS

Harold P. Milavsky

*Chairman*

Kent J. MacIntyre

*Vice-chairman and*

*Chief Executive Officer*

Donald A. Garner

*President and*

*Chief Operating Officer*

Ronald J. Ambrozyn

*Vice-president,*

*Business Development*

James T. Bruvall

*Secretary*

Dennis G. Feuchuk

*Vice-president, Finance and*

*Chief Financial Officer*

Timothy S. Granger

*Vice-president, Production*

William N. Rowe

*Vice-president, Investor*

*Relations and Planning*

### HEAD OFFICE

4700, 150 - 6 Avenue SW

Calgary, AB Canada T2P 3Y7

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Fax: 403-266-2825

Toll-free in Canada:

1-877-968-7878

### WEB SITE:

[www.primewestenergy.com](http://www.primewestenergy.com)

### TRUST UNITS AND EXCHANGEABLE SHARES TRADED

The Toronto Stock Exchange,  
(PWI.UN; PWX)

### REGISTRAR AND TRANSFER AGENT

Computershare Trust

Company of Canada

Toll-free in Canada:

1-800-332-0095

### AUDITOR

PricewaterhouseCoopers LLP,

Calgary

### ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates

Ltd., Calgary

### LEGAL COUNSEL

Stikeman Elliott

### FOR MORE INFORMATION

General inquiries

403-234-6600

Investor Relations

Toll-free:

1-877-968-7878

Fax: 403-699-7271

e-mail:

[investor@primewestenergy.com](mailto:investor@primewestenergy.com)



Strong solutions are expressed  
in this column design that is a pow-  
erful declaration of stability and  
unity. The bold lines are drawn  
together, yet allow room  
for free expression within. Firm, ver-  
tical pillars capped together by the  
top of the letter "P" imply the com-  
pany's solid performance.



*We've* 98%  
DELIVERED

*total return from September 1996  
through March 31, 2002*



PRIMEWEST